Austria ... Sch 22	Indonesia ... Rp 3100	Portugal ... Esc 100
Bahrain ... Din 0.650	Israel ... IS 3.50	S. Arabia ... Rls 6.00
Belgium ... BFr 48	Italy ... L 1600	Singapore ... S$ 4.10
Canada ... C$1.00	Japan ... Y600	Spain ... Pta 125
Cyprus ... C£0.75	Jordan ... Fils 500	Sri Lanka ... Rup 30
Denmark ... DKr 9.00	Kuwait ... Fils 500	Sweden ... SKr 8.00
Egypt ... E£2.25	Lebanon ... £1 50.00	Switzerland ... SFr 2.20
Finland ... Fmk 7.00	Luxembourg ... LFr 48	Taiwan ... NT $35
France ... FFr 6.50	Malaysia ... Rgt 4.25	Thailand ... Bht 50
Germany ... DM 2.20	Mexico ... Pes 300	Tunisia ... Din 0.650
Greece ... Dr 150	Morocco ... Dh 6.50	Turkey ... L 500
Hong Kong ... HK$ 12	Netherlands ... Fl 3.00	U.A.E. ... Dh 6.50
India ... Rup 15	Norway ... NKr 7.00	U.S.A. ... $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,255 | Wednesday June 10 1987 | D 8523 A

Fermenta's year of dreams and lost illusions, Page 32

World news | Business summary

Moscow prepared to open test sites

The Soviet Union proposed establishing a permanent international inspectorate to monitor a nuclear test ban and said it was ready to open its test sites to inspection.

Deputy Foreign Minister Vladimir Petrovsky tabled a document giving the main provisions of a Warsaw Pact treaty at the 40-nation UN disarmament conference in Geneva and urged it to set up a committee to negotiate a nuclear test ban. Page 3

S Korea arrests

South Korean police arrested 2,000 dissidents on the eve of an opposition rally planned for the same day as the ruling party's convention. Some 60,000 riot police were on standby. Page 6

Brazilian warning

Brazil's industrialists warned that the country was headed for the worst recession in its history. Debt default, Page 4

Ban on Contras

President Jose Azcona of Honduras said Nicaraguan Contra leaders could no longer meet in his country's capital, Tegucigalpa. Page 4

Rhine blocked

Shipping on the Rhine was halted at Karlsruhe after a tug and lighter sank in the main navigation channel. The waterway was expected to remain blocked for several days.

Rent strike law

The South African Government introduced legislation in parliament aimed at halting a year-old black rent and rates (property taxes) strike which has cost the authorities more than R270m ($135m).

New Ghana plot

Ghana's police foiled a fresh plot against the Rawlings Government, arrested several people and seized weapons and leaflets.

UK policy on Syria

Senior Foreign Office officials were expected to urge ministers to review the UK's diplomatic break with Syria after the British general election. Page 26

Pakistan protest

Police in Karachi used tear gas to disperse about 200 irate drivers protesting against the death of a driver killed on Monday when police fired on a crowd.

Afghan attack

About 80 Soviets were killed in a guerrilla attack on their camp in northern Afghanistan and there was intense fighting around Kabul, Western diplomats in Islamabad said.

Indian 'violence'

President Junius Jayewardene of Sri Lanka urged India to give up "violence and bullying."

Greenland coalition

Two of Greenland's four political parties agreed to reinstate their leftist coalition, the collapse of which prompted the May elections for the home-rule parliament.

Mudslide kills six

Six people died when a mudslide, 6 metres deep in places, inundated the village of Chokhelni in the Soviet republic of Georgia. The mudslide, caused by heavy rain and melting snow, destroyed 15 houses and forced the evacuation of 300 families.

Tourists disappear

Some 25 Poles and 21 Czechoslovaks disappeared from tour groups in West Germany over the Whitsun holiday weekend. Munich police said only 10 people out of 35 on one Polish tour turned up for the journey home.

Komatsu group dismisses president

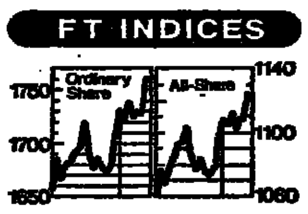
KOMATSU of Japan, the world's largest construction equipment manufacturer, has dismissed Shoji Nogawa, its president for the past five years. Page 26

TOKYO: Buying enthusiasm waned after a firm start and left share prices moderately lower. The Nikkei average lost 144.01 to 25,379.88. Page 50

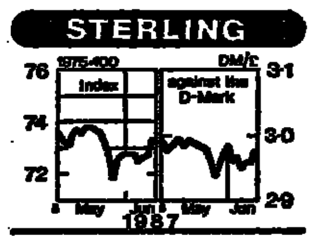
WALL STREET: The Dow Jones industrial average closed up 1.06 at 2,352.70. Page 50

UK EQUITIES reached new peaks and the FT Ordinary Index closed 34.1 up at 1,761.3. UK Government bond prices ended more than one point higher and the Bank of England sold more of its 8 per cent 2002/06 tapstocks.

FT INDICES



STERLING



STERLING closed in New York at $1.668. It rose in London to $1.6615 ($1.6390); DM 2.9750 (DM 2.9575); FFr 9.9475 (FFr 9.8925); SFr 2.4625 (SFr 2.4600); and Y236.75 (Y235.0) On Bank of England figures, the dollar's exchange rate index rose to 73.3 from 72.8. Page 39

DOLLAR closed in New York at DM 1.788; SFr 1.475; FFr 5.974 and Y142.15. It fell in London to DM 1.7985 (DM 1.8045); SFr 1.4825 (SFr 1.5005); FFr 5.9875 (FFr 6.0350); and Y142.45 (Y143.40). The dollar's exchange rate index fell from 101.3 to 101.0. Page 39

GOLD fell in London to $453.25 from $455.75. In Zurich it rose to $453.25 from $453.00. Page 38

INFORSA, Chilean forestry products company, has returned to its original management and bankruptcy proceedings sought by Spain's Banco Exterior have been suspended. Page 27

HUDSON'S BAY COMPANY, debt burdened Canadian department store and property group, has had a management shake-up after the promotion of a member of the controlling Thomson family. Page 27

BPCC, owned by Mr Robert Maxwell, had its bid to overturn a defensive plan by Harcourt Brace Jovanovich rejected by a New York federal judge. Page 27

PROCORDIA, Swedish state holding company, reported an increase in profits by 57 per cent to SKr 351m ($55.8m) in the first four months. Page 28

M&G, the UK's largest unit trust group, suggested that costs of corporate equity raising should be reduced by a break-up of the established underwriting cartel. Page 7

LIFFE, the London International Financial Futures Exchange, fined three traders, suspended them for a week and reprimanded a member firm. Page 7

SEAGRAM, the Canadian drinks group, reported operating income rose 72 per cent to US$34.5m. Page 27

EGYPTAIR is to buy two Boeing 747-300 passenger aircraft for delivery next year. The airline has been negotiating a $150m financing package with Irving Trust Company of New York, American Express Bank and Banque du Caire.

TRAFALGAR HOUSE of the UK is negotiating with BP for sale of more than half of its onshore oil assets worth about £21m ($34.2m). Page 7

Reagan Administration accused of deceiving Congress

BY DAVID BUCHAN AND NANCY DUNNE IN WASHINGTON

THE HOUSE chairman of the Iran Contra investigation yesterday, accused the Reagan Administration of privatising US foreign policy and of deceiving Congress.

In winding up the first six weeks of Iran-Contra hearings, Mr Lee Hamilton warned that the resumption of the congressional investigation on June 22 would focus on the constitutional failures of the Reagan Administration to make itself accountable to Congress and to conduct an open foreign policy.

The testimony of the glamorous Miss Fawn Hall, former secretary to Lt Col Oliver North, the man at the heart of the affair, yesterday brought to an end the first phase of the hearings. Mr Hamilton described the accounts of 18 witnesses heard so far as "a depressing story" which had demonstrated "remarkable confusion in the processes of government."

Miss Hall, who had admitted to shredding, altering and removing incriminating documents with Col North, yesterday said: "Sometimes you have to go above the written law."

Quickly, she asked if she could retract the remark, made on live television, adding that "I did not realise the severity of what I was doing. I wish I could redo it."

She, unlike many other witnesses, has been granted complete immunity by the special prosecutor and the congressional committee in return for her co-operation. Several others have only been granted limited immunity so that their testimony before on Capitol Hill cannot be used against them in any subsequent criminal proceedings.

Admiral John Poindexter, the former National Security Adviser, and Lt Col North, who worked for him have still to appear before the committee. They are assumed to know whether or not President Reagan actually knew of the transfer of funds from the Iranian arm sale profits to the Nicaraguan rebels.

Miss Hall had little to add yesterday to her graphic description on Monday of how she had smuggled documents out of the White House in an effort to "protect the enterprise." She was not a forthcoming witness, often claimed lapses in memory and sometimes seemed hostile to questioners.

But she was unequivocal, again, in her praise of her former boss who she said had asked to resign from the National Security Council when his activities became public last November. In the event, he was fired by President Reagan who, at the same time, described him as "a national hero."

Miss Hall, whose televised testimony was closely watched by the presidential party attending the economic summit in Venice, did no harm to Mr Reagan's claim of ignorance about Lt Col North's Activities. She could not recollect an occasion when the marine colonel had met the President alone.

As for Lt Col North, he was, she said, "every secretary's dream of a boss."

Her defence did not mitigate the damage done to the country, according to the view of Mr Hamilton.

"Our government cannot function cloaked in secrecy," he said. "It cannot function unless officials tell the truth."

Mr Hamilton quoted the remark by Mr Robert McFarlane, a former National Security Adviser, who in earlier testimony to the committee commented: "When the President and the Congress cannot agree, to charge ahead is to invite disaster."

As a result of the congressional decision to cut off aid to the Contra rebels, some Administration officials solicited other sources of money inside and outside the US to keep the Contra cause alive.

Leading industrial nations approve co-operation pact

BY STEWART FLEMING, PHILIP STEPHENS AND JOHN WYLES IN VENICE

GOVERNMENTS of the leading industrial nations yesterday established a more detailed framework for international economic co-operation.

The accord, agreed by the US, Japan, West Germany, France, Britain, Canada and Italy at the Venice economic summit, aims to provide added focus to their efforts to reduce the major trade imbalances in the world economy.

The seven also endorsed February's Louvre agreement under which they resolved to seek a period of stability on foreign exchange markets.

The latest accord was greeted by the US and France as a significant step forward in policy co-ordination, but other governments – including Britain and West Germany – suggested it had no particular significance for their current economic policies.

It calls for the increased use of economic performance indicators to try to ensure that individual nations' domestic policies are consistent with steady world growth and reductions in the huge US current account deficit and the parallel surpluses in Japan and West Germany.

The indicators cover growth, inflation, exchange rates, monetary conditions, trade and current accounts balances, and budgetary positions.

Under the accord each of the seven governments will prepare medium-term projections and objectives for their economies at the start of every year. They will then meet with the aim of removing inconsistencies between their national projections and of ensuring their compatibility with sustained and more balanced growth.

The group's finance ministers will then review the indicators throughout the year to assess each

country's performance, and, if necessary, to discuss possible "remedial action."

Mr Nigel Lawson, Britain's Chancellor of the Exchequer, described the agreement as "a useful step rather than a "great leap" forward, and said it represented some advance on the Louvre accord.

He stressed, however, that there was no question of national governments being committed to firm targets for the indicators, or that governments had established target zones for their currencies.

His caution was echoed by Japanese and West German officials, who said that their national sovereignty over domestic economic policy had not been compromised. They suggested that the accord heralded a more systematic approach to policy co-ordination rather than anything more substantive.

The US and France, which have been the driving force behind the move towards a more formal system of co-operation, can claim however that they have achieved a further step in that direction.

Mr James Baker, the US Treasury Secretary, said the accord represented about 90 per cent of what the Washington Administration was seeking.

Continued on Page 26

Details, Page 2

Stock exchange boom predicted for Third World

BY CHRISTIAN TYLER IN LONDON

STOCK MARKETS in the richer developing nations will expand enormously over the next 15 years in response to domestic needs and foreign investor demand, according to the International Finance Corporation, the private enterprise arm of the World Bank.

By the end of the century the combined market capitalisation of the 35 developing country exchanges would leap from $130bn to between $500bn and $800bn, Mr Antoine van Agtmael, deputy director of the IFC's capital markets department, said at a London conference yesterday.

He told the conference, organised by South magazine, that the number of development country stocks traded worldwide would increase tenfold to 500, while total listings would rise from 8,000 to well over 15,000.

Many of the young exchanges would eventually be linked electronically to the main financial centres – a development that Mr van Agtmael believed would reduce opportunities for bargain investments. Western pension funds and other institutional investors are already diversifying into country equities, but their present stake of under $3bn was likely to multiply 10 or 20 times as barriers to foreign portfolio investment were lifted.

Developing country exchanges at present account for only 2½ per cent of world equity market capitalisation.

Foreign portfolio investment – still severely restricted in many countries – is not necessarily seen as the answer to capital starvation in the debt-ridden nations. But investment bankers say it could become a significant adjunct to development aid and bank lending.

The IFC, which both promotes and monitors developing countries' stock exchanges, believes a foreign presence, coupled with still-needed deregulation, will encourage entrepreneurs to repatriate their capital.

The main engine of growth, however, is likely to be domestic demand for venture capital and for local pension fund investment.

Mr van Agtmael said yesterday that Japanese institutions, which have taken a hammering on the US government bond market, were expected to move strongly into developing country equities next year. The Japanese Government regarded these as a good alternative to development aid – and many of the stocks quoted in Asia were in any case the product of Japanese companies' direct investment there.

Like others, the Japanese were being driven by the need to spread their risks. They were also attracted by generally lower price-earnings ratios than were available on the big exchanges, especially during a bull run in London, New York and Tokyo.

Returns on equity investment on developing country markets had been near or above the industrialised world average, except during the height of the debt crisis, even in Latin America.

Mr Charles Fowler, a director of fund manager John Govett, told the conference that junior stock markets in Asia would be boosted by the big revaluation of the Japanese yen which has helped the smaller Asian countries' exporters.

The lack of information and analysis in these emerging markets could be turned to the advantage of the well-placed foreign investor, he said.

Wide welcome for Gorbachev policies

BY OUR OWN CORRESPONDENTS IN VENICE

LEADERS of the seven major Western industrial countries yesterday gave a first welcome to Mr Mikhail Gorbachev's policies, saying they held out the hope of a turning point in East-West relations.

"It is our hope that they prove to be of great significance for the improvement of political, economic and security relations between the countries of East and West," they said in the most upbeat assessment of East-West relations for years.

The heads of government acknowledged that "new opportunities for progress" had opened up since last year's Tokyo summit and that the goals of nuclear disarmament and conventional force reductions "should be actively pursued and translated into concrete agreements."

Although President Ronald Reagan obviously endorsed this declaration, his spokesmen put all their emphasis on its qualifying clauses, namely that Soviet actions will be closely watched on human rights, Afghanistan and people-to-people contacts. Mr George Shultz, the US Secretary of State, said that human rights were stressed "as necessary in themselves and as a guage to the

Continued on Page 26

Soviet nuclear proposal, Page 3

Kuwait presses China to aid Gulf protection

BY ANDREW GOWERS IN LONDON

KUWAIT is putting pressure on China to join the US and the Soviet Union in protecting ships sailing to and from its port.

Kuwaiti officials said the Chinese Government was asked – along with the other four permanent members of the UN Security Council – to let Kuwaiti tankers sail under its flag in order to deter Iranian attacks. They said they were still awaiting a response, but that Peking appeared to be giving the matter careful consideration.

Ships bound for and belonging to Kuwait, one of Iraq's main backers in the Gulf war with Iran, have been singled out for attack by Iran since last summer. The US has agreed in principle to re-register 11 Kuwaiti tankers under the US flag, and Moscow has leased three tankers to Kuwait.

Chinese assistance would add a fresh twist to the involvement of outside powers in the Gulf shipping war, since Peking is believed to be one of Iran's principal arms suppliers. Its arms sales to Tehran have become a subject of special controversy since the US disclosed that Iran was preparing to deploy Chinese-made Silkworm missiles close to the Strait of Hormuz and at the northern end of the Gulf.

Electrolux takeover expected to cause further job losses

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR, IN LONDON

ELECTROLUX's recent purchase of Thorn EMI's appliance subsidiaries in expected to lead to further redundancies in the British and Italian white goods industries.

Jobs would probably be lost in the UK as the Swedish multinational absorbed its latest buy, Mr Anders Scharp, president and chief executive, said in London yesterday.

Ariston and Philco in Italy would also feel the repercussions as their contracts to supply all Thorn's laundry appliances and some of its refrigeration appliances were switched to Electrolux subsidiaries.

Ariston, part of the Merloni Finanzaria conglomerate, supplies about 200,000 washing machines and driers a year for sale under Thorn labels. "There are going to be some changes there," Mr Scharp said.

The deal will also increase the pressure on the shrinking band of *small UK appliance makers such as* Lec Refrigeration and Servis.

"Servis cannot hope to survive trying to make a wide range of products against these big companies," Mr Jim Collis, director-general of the Association of Manufacturers of Domestic Electrical Appliances (Amdea), said yesterday.

The £42m ($68.4m) deal, signed on Friday, brought into the Electrolux fold the Tricity, Bendix, Onyx, Parkinson Cowan and Moffat domestic appliance ranges. It also boosted the group's UK turnover by about £400m.

Mr Scharp said British sales of the group's brands, including Zanussi and Electrolux, would in future be worth about £650m a year, and account for a 25 per cent share of the UK market. Electrolux is the world's leading appliance maker, with global sales of about £7bn.

Thorn's white goods subsidiaries had been performing poorly, he said. Rationalisation was necessary. Difficulties included poor structure, low volume output, overmanning and lack of investment.

Mr Scharp said he aimed to turn *losses of about £17m sustained by* Thorn last year into profits equivalent to a 20 per cent return on net assets in two or three years – about £10m on current figures.

The Thorn appliances businesses shed about 500 jobs last year and announced a further 270 redundancies in April. At the last count, about 4,700 were employed in the white goods businesses and a further 1,000 in factories making Stott Benham, Crypto Peerless and Dito Sama catering equipment.

Mr Scharp said no decisions could be taken on the impact of rationalisation until a series of working parties, set up yesterday, had reported later in the summer.

However, he promised further investment, possibly at a rate higher than the group's usual target of about 5 per cent of net sales.

One aim was increased output of microwave ovens, refrigerators and cookers – the only products the group makes in Britain. Production of Zanussi and Electrolux cookers, for example, currently imported from Scandinavia, Italy and Switzerland, would be transferred to Britain later this year.

The group has also raised its targets for microwave oven production,

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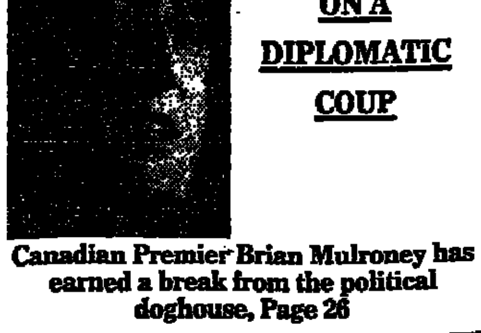

MULRONEY CASHES IN ON A DIPLOMATIC COUP

Canadian Premier Brian Mulroney has earned a break from the political doghouse, Page 26

PREVIOUS SUMMIT POSITIONS REINFORCED

Leaders find easy accord on political aims

BY STEWART FLEMING, PHILIP STEPHENS AND JOHN WYLES

IF JUDGED only by the speed with which the heads of government were able to adopt their declarations on political subjects, then there is a marked degree of consensus and harmony among the Western world's leading industrialised nations.

In reality, of course, there were differences of approach, although none of them fundamental. As a result, no head of government with a minority view felt the need to be difficult over statements on East-West relations, terrorism and the Gulf War which contain something old and something new and broadly build on positions adopted at previous summits.

The minorities included President Ronald Reagan who did not secure unequivocal backing for an "enforcement" aspect to any possible UN Security Council resolution calling for a ceasefire in the Iran-Iraq war. Nor did he obtain an appeal to Mr Mikhail Gorbachev to drop his objections to the Strategic Defence Initiative and to press ahead with negotiating strategic nuclear force reductions.

Mr Brian Mulroney, the Canadian Premier, had wanted some strong language on South Africa but he bowed to the opposition from President Reagan and Mrs Margaret Thatcher and may have to content himself instead with a statement in the final summing up by the summit host, Mr Amintore Fanfani, the Italian Premier.

The novelty in the East-West declaration is a favourable commentary on Mr Gorbachev's new policies. This bears the imprint of West Germany's view, now evidently supported by Mrs Thatcher and President Francois Mitterrand of France that they present an opportunity to render the Cold War truly obsolete.

However, the conservative wing of Mr Reagan's Republican Party will not applaud the President's endorsement of the summit's "hope" that recent developments in Soviet internal and external policies "will prove to be of great significance for the improvement of political, economic and security relations between the countries of East and West."

Nor did the seven heads of government want to appear too satisfied with Mr Gorbachev. They still believe in the need to be "vigilantly alert" in responding to Soviet policy and reminded Mr Gorbachev that "much still remains to be done" in the field of human rights to honour Soviet commitments made under the Helsinki Final Act. They added a call for a "rapid and total withdrawal" of Soviet forces from Afghanistan and said they wanted greater and freer contacts between the peoples of East and West.

Ahead of the Nato foreign ministers meeting which opens in Reykjavik on Thursday, the summit did not seek to deal with the substance of the US negotiating position over short and medium range nuclear weapons. But after one of the most thorough examinations ever of arms issues at a world economic summit, the leaders claimed that the new opportunities for progress in East-West relations were confirmation of "the soundness of the policies we have each pursued" in their commitment "to peace and increased security at lower levels of arms."

"The continuing importance of nuclear deterrence in preserving peace' was duly noted, and US efforts to negotiate balanced, substantial and verifiable reductions in nuclear weapons were appreciated. European concern at Soviet superiority in conventional weapons was reflected in the summit goal of "conventional stability at a lower level of forces" together with the "total elimination of chemical weapons."

Preparation of the summit's conclusions on the Gulf crisis were seriously handicapped by the absence of any clear sign of what the US wanted until the end of last week. Some US officials were suggesting then that the minimum Washington wanted from the meeting was a joint declaration about the importance of keeping open to shipping the Strait of Hormuz and a reaffirmation of the principle of freedom of navigation.

In the event, Washington got very little more and certainly nothing to ensure success in obtaining a toughly-worded Security Council resolution which the S thinks should call for sanctions against non-compliance by Iran or Iraq in the form of a mandatory arms embargo.

The declarations did call for urgent and concerted efforts to end the Gulf War and for a negotiated settlement leaving intact the territorial independence and integrity of the two belligerents. But Washington had been pressing for a UN resolution involving a ceasefire, rather than a negotiated settlement and a withdrawal by the two countries to their internationally recognised boundaries.

Such a stance would have tilted the Western position more visibly towards Iraq since it is Iran which would have to withdraw from its current military positions. Instead, the seven have held to their formal neutrality, fearing that any departure along the lines suggested by the US would only harden Iranian intransigeance.

Unamity and harmony evidently reigned on the subject of terrorism and the summit's final declaration actually broke some new ground. After reaffirming their statements from earlier summits going back to Bonn in 1978, the seven confirmed for the first time the principle of making no concessions to terrorists "or their sponsors."

They welcomed progress made in international co-operation against terrorism since last year's summit in Tokyo and drew particular attention to the meeting in Paris in May of nine European Community ministers responsible for countering terrorism.

This passage was seen by officials as establishing for the first time a link between the anti-terrorism efforts of the seven and those of the EC. In the past, France has blocked such a move which it is hoped will further improve international co-operation through the swapping of intelligence and the smoothing of extradition procedures.

In a separate annex, the summit strengthened the position originally taken in Bonn to make it more effective in dealing with all attacks on civil aviation. Where a country refuses extradition or prosecution of those who have committed attacks, or refuses to return an aircraft, the seven have undertaken to cease all flights to that country and to halt incoming flights from it.

It is also proposed to expand the list of offences which would trigger such a response to include not just hijackings at present, but also violence to passengers and damage to aircraft.

President Reagan with Mrs Thatcher at Venice yesterday.

VENICE SUMMIT

Bomb blasts linked to summit

A POWERFUL car bomb exploded near the US embassy in Rome yesterday and crude grenades hit the grounds of the US and British missions in attacks linked by police to the Venice summit, Reuter reports.

The early-morning blasts caused considerable damage to cars and buildings near the US embassy but the only casualty was a woman suffering from shock.

Responsibility for the attacks was claimed by the "International Anti-Imperialist Brigade."

● An official Soviet spokesman raised the prospect yesterday that Mr Mikhail Gorbachev would meet President Ronald Reagan this year to sign an agreement on limiting medium-range nuclear missiles.

"We favour such a summit on the understanding that it brings concrete, positive results," said Mr Boris Pyadyshev of the Foreign Ministry's Information Directorate.

"Is it realistic to expect a meeting of the leaders of our two powers? In our view, it is, and even this year," he told a news briefing in Moscow.

Mr George Schultz, the US Secretary of State, interviewed in Venice yesterday, sad preparations for a third Reagan-Gorbachev summit were proceeding "pretty well" but would not say when it might take place.

Thatcher claims support for economic policy

BY PHILIP STEPHENS

"IT WAS absolutely vital that I came," Mrs Margaret Thatcher, the British Prime Minister, said as she left the seven-nation economic summit yesterday, claiming international endorsement of her government's defence and economic policies.

In ebullient mood after her 18-hour stay in Venice, the Prime Minister praised the summit's three political declarations. The statements, on the Gulf war, on East-West relations, and on terrorism, were all in tune with British policies, she said.

Mrs Thatcher dismissed opposition charges that her visit to the summit had been an elaborate "photo call" designed to boost her chances in tomorrow's election. Although she had been at the summit for only a short time, it had been "extremely concentrated, very intense."

The Western allies had backed "all the things we have been doing. And people want those things to continue."

Despite her crowded schedule, the Prime Minister found time for a 45-minute private meeting with President Ronald Reagan in the President's hotel.

Both sides declined comment on whether the election had been discussed, but their close personal relationship was emphasised by their joint arrival yesterday morning for the summit's first formal session on the Venetian island of San Giorgio.

The world's television cameras caught the two leaders stepping ashore together from President Reagan's motor launch, then chatting and smiling as they stood together for the group photograph of the seven leaders.

British and US officials said that their talks had covered everything from agricultural subsidies and the US budget deficit to East-West arms control and the Gulf war.

Official briefings indicated no area of disagreement between the two.

Mrs Thatcher said the summit statement on East-West relations reflected a unanimous view that nuclear deterrents were still essential to Western security.

The West was on course to secure the first reductions in nuclear weapons ever, but "we all believe that nuclear deterrence is going to be vital to our peace for many years to come."

Partners committed to peace at lower arms levels

THE FOLLOWING is a partial text of the general political declaration agreed at the summit.

EAST-WEST RELATIONS

Within existing alliances each of us is resolved to maintain a strong and credible defence which threatens the security of no-one, protects freedom, deters aggression and maintains peace. We shall continue to consult closely on all matters affecting our common interest.

We are following with close interest recent developments in the internal and external policies of the Soviet Union. It is our hope that they will prove to be of great significance for the improvement of political, economic and security relations between countries of East and West. At the same time, profound differences persist; each of us must remain vigilantly alert in responding to all aspects of Soviet policy.

We reaffirm our commitment to peace and increased security at lower levels of arms. We seek a comprehensive effort to lower tensions and to achieve verifiable arms reductions. While reaffirming the continuing importance of nuclear deterrence in preserving peace, we note with satisfaction that dialogue on arms control has intensified and more favourable prospects have emerged for the reduction of nuclear forces.

We appreciate US efforts to negotiate balanced, substantial and verifiable reductions in nuclear weapons. We emphasise our determination to enhance conventional stability at a lower level of forces and achieve the total elimination of chemical weapons.

We urge the Soviet Union to negotiate in a positive and constructive manner.

We will be paying close attention not only to Soviet statements but also to Soviet actions on issues of common concern to us. In particular:

● We call for significant and lasting progress in human rights, which is essential to building trust between our societies.

● We look for an early and peaceful resolution of regional conflicts and especially for a rapid and total withdrawal of Soviet forces from Afghanistan.

● We encourage greater contacts, freer interchange of ideas and more extensive dialogue between our people and the people of the Soviet Union and Eastern Europe.

TERRORISM

We resolutely condemn all forms of terrorism, including aircraft hijackings and hostage-taking. We confirm the commitment of each of us to the principle of making no concessions to terrorists or their sponsors. We will continue our efforts to improve the safety of travellers . . . and commit ourselves to support the rule of law in bringing terrorists to justice.

ANNEXE

In cases where a country refuses extradition or prosecution of those who have committed offences described in the Montreal Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation and/or does not return the aircraft involved, the heads of state or government are jointly resolved that their governments shall take immediate action to cease flights to that country.

At the same time, their governments will initiate action to halt incoming flights from that country or from any country by the airlines of the country concerned as stated in the (1978) Bonn Declaration.

THE GULF WAR

We agree that new and concerted international efforts are urgently required to help bring the Iran-Iraq war to an end. We favour the earliest possible negotiated end to the war with the territorial integrity and independence of Iraq and Iran intact.

We call once more upon both parties to negotiate an immediate end to the war. We strongly support the mediation efforts of the United Nations Secretary-General and urge the adoption of just and effective measures by the UN Security Council.

With these objectives in mind, we reaffirm that the principle of freedom of navigation in the Gulf is of paramount importance

Tokyo growth scheme 'will win go-ahead next month'

BY PHILIP STEPHENS

MR YASUHIRO NAKASONE, Japan's Prime Minister, yesterday pledged that his government next month would secure parliamentary approval for its Y5,000bn (£21.3bn) package of measures to stimulate the country's economy.

Attending the world economic summit in Venice, Mr Nakasone also spelt out the details of the Tokyo government's plan to establish a $20bn fund to recycle cash to developing countries.

He acknowledged, however, that the timing of a planned Y1,000bn in tax cuts was less certain than the main package of expansionary measures, which focuses on boosting public works programmes.

Mr Nakasone, who has worked assiduously at the summit to avoid criticism from other heads of state, said that parliamentary approval of the public works expansion was assured.

The Tokyo government estimates that it could add between 1 and 1.5 percentage points to the country's growth rate over the next year.

Japanese officials said that timing of the implementation of the tax cuts could be more complicated. Last month Mr Nakasone's proposal to introduce a domestic sales tax to balance reductions in income tax was defeated amid fierce domestic opposition.

The officials said that he was still prepared to introduce the income tax cuts, but the Prime Minister wanted some assurance from opposition parties in the Japanese diet that they would co-operate in implementing future offsetting tax increases.

Mr Nakasone said that the $20bn recycling to aid developing countries would consist of new official and private sector funds over the next three years. The money would be channelled through multinational development institutions and bilaterally to heavily-indebted nations.

Since the government had already allocated $10bn for the same purpose last year, the total flow of funds during the next three years would be $30bn. Of that, however, only an unspecified proportion would be direct aid. The rest would have to be raised by international development agencies on the Japanese capital market.

W. Germany aims to tone down gloomy OECD economic report

BY DAVID MARSH IN BONN

WEST GERMAN economic policy-making officials are expected in Paris today to try to tone down a gloomy assessment of the country's 1987 economic outlook by the Organisation for Economic Co-operation and Development.

A report by the OECD's secretariat forecasting a marked growth slowdown in the Federal Republic this year, accompanied by a rise in unemployment, will be discussed at an "examination" of West German policy.

The meeting, a regular feature of analyses of economic performance in the OECD's 24-member countries, precedes official publication next month of the organisation's annual economic survey on West Germany.

The one-day session, to which the Bonn Government is sending a delegation led by Mr Werner Flandorffer, a senior official from the Economics Ministry, is of more than usual significance in view of the international debate over sluggish West German growth prospects.

Officials from the US and Japan will quiz the West Germans on the outlook under the OECD's committee system for reviewing member countries' policies.

The OECD last month revised downwards to 1.5 per cent its forecast of economic growth in the Federal Republic this year.

Following the contraction in the economy in the first quarter —when gross national product is estimated to have declined 1 per cent—the OECD is on the point of revising down further its 1987 growth forecast, perhaps to about 1 per cent.

Although the relative independence of OECD reports on members' economies is highly prized, the organisation in practice tunes its conclusions in line with government thinking in the country concerned.

As an example, the secretariat itself, in its latest six-monthly economic outlook in December on prospects for the 24-nation area, is believed to have been persuaded by political pressure to forecast 3 per cent growth for 1987.

In spite of scepticism in Paris over whether this figure would be reached, Bonn at the end of last year laid great store on an optimistic projection ahead of the January general election.

Already in projections drawn up for last month's OECD ministerial meeting in Paris, the Secretariat revised upwards its forecasts for West German unemployment this year to 7.75 per cent of the labour force from 7.5 per cent predicted in December. This compares with 7.9 per cent last year.

Officials purged in Soviet Kazakhstan

THE Communist Party leadership in Kazakhstan has sacked several senior education officials in a continuing crackdown on corruption in the central Asian republic, Reuter reports.

The Soviet party newspaper said Deputy Higher Education Minister A. Ikenov had been fired along with two department heads for allowing nepotism and bribe-taking in Kazakhstan's institutes and university.

Former Higher Education Minister Kupzhasar Naribayev, who was sacked in February, was transferred to rank-and-file work after losing "the moral right to stay in his post."

The shake-up followed two days of rioting by nationalist students in the republic's capital of Alma-Ata last December.

The riots were sparked by discontent over the removal of veteran Kazakh leader Dinmukhamed Kunayev and his replacement by an ethnic Russian, Gennady Kolbin, brought in to clean up widespread corruption

EC research ministers scrap talks on cash plan

BY WILLIAM DAWKINS IN BRUSSELS

BRITAIN'S continued refusal to lift its opposition to the European Community research budget has forced the cancellation of a key meeting of Community research ministers scheduled for next Tuesday.

Belgium, the present occupant of the Presidency of the Council of Ministers, has decided to scrap the meeting because there were no signs of any flexibility in the UK's implacable opposition to an Ecu 6.48bn (£4.5bn) scheme for joint EC research and development over the next five years.

The issue has taken a back-seat in the UK in the run-up to the General Election tomorrow. It is unlikely to capture much government attention in the immediate aftermath, so Belgian officials expect that any attempt to debate the project again next Tuesday would be fruitless.

The next chance member states will have to discuss the scheme is at a meeting of foreign affairs ministers on June 22 and 23.

However, the cancellation of next week's Research Council meeting has intensified the European Commission's fears that the Community's research effort will suffer because of shortage of cash.

Commission officials warn that if a decision is not taken rapidly, research teams will have to be dismantled in the next few weeks, especially in the Esprit study into information technology, which involves 3,000 scientists throughout the EC.

Britain is the only one of the 12 EC member states to block the so-called research framework programme. This has been radically pruned after months of haggling: the Commission originally proposed an Ecu 10.3bn scheme a year ago. The scheme is supposed to take over from the present four-year Ecu 3.5bn project which formally runs out in December.

Norway crisis over farm plan

By Karen Fossli in Oslo

NORWAY'S minority Labour Government is facing a political crisis over its planned w.ge and subsidies package for agriculture.

The centre and right opposition parties have endorsed a joint motion of no confidence in the government of Mrs Gro Harlem Brundtland.

In order for the no-confidence vote to succeed, the opposition needs the backing of the small anti-tax Progress Party, which holds the balance of power in the 157-seat Storting (Parliament) and whose two seats swung behind Labour to instal Mrs Brundtland's government 13 months ago.

The vote confronts the Progress Party with a dilemma, since the attack on Labour's policy of cutting agricultural subsidies is a key element of the party's programme.

It would prefer, however, a no-confidence vote in the Government's full economic policy rather than on specific elements of it. Most observers expect the Progress Party to support the no-confidence motion.

The Storting is due to debate agricultural policy today and will vote on the no-confidence motion on Friday.

Greenland party link renewed

TWO OF Greenland's four political parties have agreed to reinstate their left-wing coalition, the collapse of which prompted last month's election for the home-rule parliament, a government official told Reuter yesterday in Nuuk.

The centre-left Siumut party of Mr Jonathan Motzfeldt, leader of Greenland's home-rule government for the past eight years, and the small left-wing Inuit Ataqatigiit party have agreed to continue the coalition which collapsed in March.

None of Greenland's four parties won a clear majority in the May 26 poll.

'BIG OPPORTUNITY' FOR INDUSTRY

Joint efforts urged on hypersonic aircraft

BY PAUL BETTS IN PARIS

A STRONG call for collaboration between Europe and the US on the development of future hypersonic aircraft capable of traveling at five times the speed of sound was made yesterday by a senior executive of McDonnell Douglas, the US aerospace group.

Mr Lou Harrington, senior vice president of commercial products at Douglas Aircraft, told a Financial Times conference on international collaboration in aerospace in Paris that such aircraft could be flying as early as 2005.

Stressing that major collaboration prospects between US and European commercial airline manufacturers on nearer term programmes were poor. Mr Harrington claimed new hypersonic aircraft would offer a big opportunity for collaboration because of the enormous financial and industrial demands of such a programme.

The cost of developing these aircraft, which will represent the next significant advance in commercial air travel amounted to as much as $20bn according to some estimates, Mr Harrington said.

On shorter term transatlantic collaboration prospects, Mr Harrington said current programmes of the big three commercial aircraft makers (Boeing, Airbus and McDonnell Douglas) left little room for collaboration.

The only possibility, based on

FT CONFERENCE
International Aerospace Collaboration

present product plans would involve collaboration between McDonnell Douglas and Airbus in the below-150 seater airliners and in large twin-engine 260-seater airliners such as the planned new Airbus A-330.

Mr Colin Green, vice president for defence and space systems at United Technologies, also expressed concern over some European collaboration initiatives which seemed to have an "anybody but America" flavour. "In my opinion, collaborations that, at their heart, are designed to exclude, are unhealthy, inefficient and subject to great risk," he warned.

Mr Jean Pierson, chief executive of Airbus Industrie, indicated yesterday that he was confident that the entire investment costs of the new Airbus A-330 and A-340 programme would be recouped. Mr Pierson's remarks came a few days after the formal announcement last week of the launch of the A-330 and A-340 programme.

The total investment costs of the programme involve about $4bn including $2.3bn in non-recurring development costs and a further $1.7bn in initial production costs. Mr Pierson said that he had no doubt of the consortium's forecast of selling 1,000 A-330 and A-340s in the next 20 years, enabling the recovery of the programme's entire investment costs. The 439 commitments and orders received for the new Airbus A-320 twin-engined 150-seater had turned it into the "most successful civil aircraft programme ever before first flight."

Mr Charles Masefield, the director and general manager of the civil aircraft division of British Aerospace, emphasised that without Airbus Industrie, Europe would not have been in a position to compete effectively in the world major airliner markets. Despite the substantial launch costs and risks of large aircraft programmes, he claimed that "with profit prospects running into many billions of dollars, these larger aircraft can form a far from unattractive business proposition."

However, the magnitude of investment and the level of risk involved put such ventures "beyond the solo undertaking of even the largest company.

Mr James Johnson, vice president and general manager of the 7J7 division of Boeing, outlined Boeing's commercial aircraft co-operation programmes. He said Boeing's 150-seater 7J7 programme had a Japanese company as a full partner and a group of British, Swedish and Australian programme associates. Boeing's 767 programme included Japanese and Italian firms on a non-equity basis and involved many foreign subcontractors.

The number of commercial aircraft makers would continue to dwindle. "This consolidation process will be in the form of international industrial co-operation in contrast to the mergers and acquisitions that we have seen up until now," he said.

Other speakers yesterday included Mr Jacques Benichou, president of the Groupement des Industries Francaises Aeronautiques et Spatiales, Mr Michael Donne of the Financial Times, Mr Frans Swarttouw, chairman of Fokker, Mr Jacques Plenier, managing director of the aircraft group of Aerospatiale, Mr Hans-Joachim Klapperich, managing director of Panavia Aircraft, Mr Gerrie Willox, managing director of Eurofighter Jagdflugzeug, and Mr Ozires Silva, chairman of Embraer.

Greece nears deficit overshoot

BY ANDRIANA IERODIACONOU IN ATHENS

GREECE'S current account deficit in the first four months of this year reached $1.217bn, rendering virtually certain an overshoot of the deficit target of $1.25bn set for this year by the Government's economic stabilisation programme.

The programme was launched at the end of 1985 and last year, helped by favourable external factors, succeeded in almost halving the current account deficit to $1.7bn.

Mr Sostas Slimitis, the Economy Minister, called the January to April figures "unsatisfactory." He said competitiveness must be sustained and the public sector deficit reduced in accordance with the targets set by the stabilisation programme if the deviation in the current account deficit were to be kept to a minimum.

The authorities hope to reduce the net public sector borrowing requirement from 14 per cent of gross domestic product in 1986 to 10 per cent of GDP this year.

Mr Simitis partly attributed the poor balance of payments performance to increased oil import costs relative to 1986 when prices had fallen to windfall low levels.

However, figures also showed a 23.6 per cent increase in non-oil import costs in the first four months of 1987. In spite of a 15.6 per cent increase in overall export earnings, the trade deficit widened by 11.8 per cent from the same period last year reaching $2.245bn.

On the positive side, earnings from tourism grew by 26.2 per cent, while remittances from workers abroad increased by 23.1 per cent.

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A decade of decline has made the party realistic about its election prospects, writes **John Wyles**

Italy's Communists look for triumphant defeat

"LET ME tell you that 30 per cent would not be a defeat, but a great victory," was a surprisingly defensive claim from a very unexpected quarter. With the parties which formed the last Italian coalition Government wrangling ceaselessly and offering only slender promise that they will resume their collaboration after the election on June 14, a leading spokesman for the opposition was none the less, doubtful of any gain for his party.

But predictive caution is the watchword in the Partito Communista Italiano (PCI) after the vicissitudes of the past decade. There have been times in recent years when the Socialist Mr Gianni de Michelis' highly partisan view of the party as "old, useless and marginal," has seemed not far from the truth. And it is at such moments that its fiercest denigrators need reminding that it it is a mass party with a formidable organisation based on a 1.5m membership.

Nevertheless, when he spoke of the party merely holding on to its 1983 vote as a "great victory," Mr Alfred Reichlin was showing an honourable realism. While in nothing like such dire straits as its French and Spanish counterparts, the party's spokesman on economic affairs acknowldeges that the 1980s have so far been a decade of decline for it.

From a post-war peak in 1976 of 34.4 per cent, the party's share of the vote has slid to 29.9 per cent in 1983. A parallel decline in local elections has cost the PCI the control of many of the northern and central Italian strongholds which at one time in the 1970s appeared to be its springboard to national government.

The death of its highly effective and popular former leader, Enrico Berlinguer, during the campaign for the European Parliament in June 1984, did deliver a sympathy bonus which enabled it to carry off a third of the vote and to achieve the long desired *sorpasso*—a higher share than the other main Italian party, the Christian Democrats.

The genera feeling this time is that the *sorpasse* will only be repeated if the Christian Democrats' vote erodes even more seriously than the PCI's.

After more than 40 years in permanent opposition, the Communist party is throbbing with an understandably impatient desire for a share of power. Its leader, 69-year-old Alessandro Natta is a thoroughly decent but rather uninspiring man, urging Italians to vote for "the democratic alternative."

The party's insistent theme is that Italy's "limping democracy" can only be revitalised by change to an administration involving the Communists and that the previous coalition of Christian Democrats, Socialists, Republicans, Social Democrats and Liberals is a formula which cannot be repeated because of its internal contradictions.

> Despite its name, the party believes it is now in the European social democratic mainstream and that it has made all the adjustments necessary to be considered so.

Despite its name, the party leadership sincerely believes that the PCI is now in the European social democratic mainstream and that it has made all the adjustments necessary to be considered so "We are no longer a Marxist-Leninist party, we are non-ideological," says Mr Reichlin.

As one of the inspirations behind the Eurocommunism of the 1970s, the party supports membership of Nato and the European Community, favours a mixed economy, is ready to join in coalition governments with "bourgeois" parties and believes that it has played a vital role in intergating the Italian working class into the post-war democratic system.

What it will not change, apparently, is its name. "I don't think the fear of communism is as strong as it was," says Mr Reichlin, explaining that the traditional core of the party's support would never happily surrender the one word which still arouses instinctive suspicion inside and outside Italy. This suspicion is shared and exploited by the other parties which Mr Natta is entreating to join him in forming a left-wing democratic alternative if they can muster a majority after the election.

The principal target is Mr Bettino Craxi, the Socialist party leader, who prefers, instead, to deal out rhetorical punishment to the PCI for its opposition to the government he led for three and a half years. Though Mr Craxi profited enormously from the Communists' failed attempt to mobilise working class support behind a referendum opposing his moves to cut wage indexation, the Socialist leader is unforgiving and dreams of pushing the PCI right out to the political margins.

Mr Craxi implies that only when, like President Francois Mitterrand in France, he is in a position to dictate his terms to the Communists might he then contemplate an alliance. But since the Socialists took only 11.4 per cent of the vote in 1983, as Mr Natta has pointed out, the process might take 50 years.

If Mr Craxi will not go with the Communists, then certainly none of the other centre parties will, which leaves only the Christian Democrats as potential partners. Mr Natta insists that the two largest parties are genuine alternatives to each other, although he does not exclude altogether some kind of arangement in extremis.

In a paradoxical sense then, the size of the party's electoral support is one of its biggest obstacles to power. Mr Craxi and the other centre parties may only treat when they do not risk being overwhelmed. Social change may be working in their favour. The decline of the PCI's traditional industrial base, the growth of technical and managerial groups, the waning of class-based politics and the emergence of the Greens to the left are all tending to weaken its political grip in Italy.

In the meantime, it is the only party really content publicly to discuss detailed policy proposals. Its economic prescription is about as interventionist, but no more, than the British Labour Party's, and its recipe for dealing with Italy's huge public sector deficit is more intellectually appealing than any other on offer.

Moscow ready to open up N-test sites

BY WILLIAM DULLFORCE IN GENEVA

THE SOVIET UNION yesterday proposed the establishment of a permanent international inspectorate to monitor a nuclear test ban and announced its readiness to open its test sites to mandatory inspection.

Calling on the 40-nation UN conference on disarmanent to set up a committee to negotiate without delay a comprehensive nuclear test ban Mr Vladimir Petrovsky, the Deputy Foreign Minister, tabled a document spelling out the "main provisions" of a treaty agreed by the Warsaw Pact countries.

It was, he said, a "qualitatively new document, comporting the spiirt of new political thinking," not a rehash of older Soviet proposals.

Verification of countries' compliance with the treaty would be effected by an institute of interantional inspectors with access to an international network of seismic control stations.

The safeguards scheme operated by the International Atomic Energy Agency to ensure that nuclear technology is transferred only for peaceful purposes was a god prototype, Mr Petrovsky said.

A state chalenged with chating would be obliged to allow "unconditional access" to the location designated within a shorter time than one week under the Soviet proposal.

Mr Petrovsky was sure that all the technical details of a verification system could be worked out in the negotiations once the principles had been agreed.

He denied that the Soviet move on the first day of the conference's resumption aimed at circumventing the bilateral talks with the US which at the end of the fifth session on May 29 were still stalled over an agenda.

Agreement on a complete test ban has been one of the centrepieces of the arms control proposals vigorously promoted over the past 18 months by Mr Mikhail Gorbachev.

The US has insisted on continuing nuclear tests in order to ensure the modernisation, safety and deterrent quality of its weapons. It has favoured a step by step approach to a comprehensive test ban with agreement on tighter verification measures.

These would enable the US Senate to ratify two treaties negotiated in the 1970s limiting tests to 150 kilotons, the Reagan Administration claims.

In a second phase Washington would negotiate with the Soviet Union a programme to reduce and ultimately end nuclear testing.

In the last round of the bilateral talks the Soviet Union agreed that a comprehensive test ban could be approached gradually through intermediate limits on the number and yield of nuclear explosions.

Legislative action by the US Congress and the Supreme Soviet could limit the yield of explosions to one kiloton and reduce their number to a minimum, Mr Petrovsky said yesterday.

However, he confirmed, Moscow continues to insist that in any new treaty the US must ajrm its commitment to the total elimination of nuclear tests.

Gonzalez on defensive as Spain votes in three polls

BY DAVID WHITE IN MADRID

A DEFENSIVE stance by Mr Felipe Gonzalez, Spain's Socialist Prime Minister, and an all-out bid by the right-wing opposition to capture younger voters marked the closing stage of campaigning for today's three-fold ballot contest for town halls, regional governments and European Parliament seats.

Appearing in the last party political broadcast of the campaign on Monday night, Mr Gonzalez based his appeal on achievements made at local level and on the Government's role in presiding over Spain's EC entry. He pleaded for "confidence and support" for incumbent Socialist local governments, making no mention of municipalities and regions where the Socialists are standing as an opposition party.

The Socialists currently hold about 2,600 of Spain's 8,000 municipalities, including most of the big towns, and run 11 of the 13 regional governments up for election.

This is the third time since the restoration of democracy that Spaniards will be voting for municipal councils, the second time for the regions in queston (four other regons have already had their elections) and the first time in a direct ballot for the country's 60 seats in the European Parliament.

Pre-election polls have suggested that the Socialists risk losing their grasp on key cities including Madrid, Barcelona, Valencia and Mr Gonzalez's home base of Seville, where the Prime Minister wound up the party campaign on Monday night. They also indicated that the Democratic and Social Centre (CDS) Party led by former Premier Mr Adolfo Suarez was likely to hold the balance of power in several regions.

On the right, Mr Antonio Hernandez Mancha, the new 36-year-old leader of Popular Alliance, the main opposition party, concluded his campaign with promises to help families with drug problems, to find solutions for youth unemployment and to freeze local taxes.

Mr Hernandez Mancha faces the prospect of a weaker vote in the local elections than in the European ballot, where his predecessor, Mr Manuel Fraga, heads the list of Popular Alliance candidates.

Gonzalez: stressing local achievements

Young admirers greet the Pope in Lublin yesterday.

Pope calls for academic freedom in Poland

BY CHRISTOPHER BOBINSKI IN LUBLIN

POPE JOHN PAUL stressed the need for academic freedom yesterday in a speech at the Catholic University of Lublin on the second day of his visit to Poland. He also voiced concern at the dearth of prospects for young people in the country. He urged the Government to rethink the way that they have organised society "from the point of view of the future of the young generation on Polish soil."

Housing shortages, uninspiring career prospects, inadequate contacts between Polish universities and the West, the Pope implied, were all leading to a mounting brain drain which is a serious concern of the church here.

"We cannot allow youth to fail to see a future for themselves in their own homeland," the Pope said at the university which is the only Catholic institution of higher learning in Eastern Europe.

He also mentioned the need for university autonomy. This is an issue of constant concern for academics as the authorities attempt to re-establish the dominance they enjoyed in the 1970s before the Solidarity period when the universities won a measure of freedom and self-government since only partially lost.

Later he officiated at a big open air church service during which he ordained 50 young clerics, including three Uniates. The Uniate church is banned in the Soviet Union and, since the war, has maintained a low profile in Poland administering to Ukrainians living here.

The Vatican's refusal to weaken its links with the Uniate church abroad is one of the points at issue between the Catholic church and Moscow and marks a stumbling block in the way of a papal visit next year to the Soviet Union.

Countryside campaign takes off

By Diana Smith in Lisbon

ENVIRONMENT MINISTERS from the 21 member states of the Council of Europe meet in Lisbon later this week to debate the urgent question of protection of rural areas.

In their fifth summit meeting since the 1972 Stockholm United Nations Conference on the Environment, the ministers will shift their emphasis from wildlife preservation and protection of vanishing species, lynchpin of Council of Europe environmental programmes and conventions in the past decade, to integrated development and protection of the rural world: the need for a better balance between agriculture, urbanisation, industry and tourism, water and soil conservation, the problems of population drift from countryside to the city, environmental requirements in agricultural and forestry policies, the impact of energy production and the development of renewable energy sources.

The Lisbon ministerial meeting coincides with the launching of the Council of Europe's 18-month Europe-wide Campaign for the Countryside, aimed at developing a strategy, with the greater participation of European citizens, for the rural world.

Although West Germany was keen to have the countryside campaign launched there, Portugal was chosen as the launching-site—at a particularly opposite time when its recent membership of the European Community is boosting its antiquated agriculture and its countryside is threatened by haphazard industrial development and urbanisation

East German rock fans clash with police for third night

BY LESLIE COLITT IN BERLIN

THE THIRD and worst night of clashes between young East German rock fans and the police ended on East Berlin's Unter den Linden early yesterday with the collapse of East Germany's much-vaunted policy of "trusting the young generation."

Nearly 4,000 young East Germans were drawn like a magnet towards the sealed Brandenburg Gate between East and West Berlin on Monday night by the British rock group Genesis. It was performing only 300 yards away in West Berlin where huge loudspeakers carried the music into the East.

The young people were undeterred by confrontation the previous night with baton-flailing policemen who had orders to keep them from the Wall where they tried to hear another rock group, the Eurythmics, playing in West Berlin.

When the enthusiastic crowd reached police cordons across Unter den Linden and its side streets on Monday evening they were ordered to return home. "Don't make trouble" one of the green-uniformed policemen warned. "You're making the trouble" came the reply from the crowd.

Many young people had come from cities as far as Rostock and Dresden just to hear if not see their rock music idols perform in West Berlin. But they were not permitted to get close to the obder as the authorities feared they might try to storm the Wall.

As on the previous nights, fans defiantly began singing the Internationale, the Communist hymn. They chanted "The Wall must go" and sang the refrain from a new West Berlin pop song "Berlin, Berlin, your heart knows no walls." But they also rhythmically called out the name of Mikhail Gorbachev, the reform-minded Soviet leader who is especially popular among younger East Germans. Empty bottles and cans flew at the police ranks.

As on Sunday night, thousands of young East German rock fans were politicised by the refusal of the authorites to let them vicariously attend a performance in West Berlin.

Policemen, led by plain-clothes officers of the East German State Security Ministry, swung into action. Batons cracked down on the young people, some heads were bloodied and about 50 people were arrested. The clashes were much less violent than those in West Berlin last May Day, but they were the worst in East Berlin since 1977 when a rock concert led to a confrontation between fans an the police.

West German television camera teams were a special target of the plainclothes men on Unter den Linden. News film of the previous night's clashes was seen hours later by millons of East Germans watching West German television. One technician said he was hauled into a State Security car and beaten.

The East German news agency ADN said reports by Western correspondents or the police action were "wild notions."

Ironically top Western rock musicians have performed in East Germany in recent years with the blessings of the authorities. But the East German leadership appears to have little confidence that the young generation can be trusted to hear a concert in the shadow of the Wall.

AMERICAN NEWS

Fears rise of debt default by Brazil's municipalities

BY IVO DAWNAY IN BRASILIA

FEARS ARE mounting in Brazil that the country's rapid economic downturn may provoke an internal moratorium with municipalities and state governments declaring themselves unable to meet debt interest commitments.

At the same time, according to the powerful Sao Paulo industrialists' federation, FIESP, monthly inflation and interest rates—now well over a record 20 per cent—have set Brazil's economy on course for a longer and deeper recession than that of the beginning of the decade.

Mr Claudio Bardella, vice-president of the federation's economic council, was reported yesterday to warn that the crisis was the worst to face the country.

"All the indicators point to a general breakdown," he said. "What is alarming is the speed with which this has come to threaten industry."

If the Government fails to cut spending and boost exports, 30 per cent of Brazilian business could find itself forced to delay payments for goods and services, thereby threatening the financial sector, he added.

This bleak outlook has been reinforced in recent days with a series of alarming forecasts for Brazil's year-end government deficit. It is now widely claimed that without strict austerity measures, public sector borrowing could reach 7 per cent of the country's gross domestic product against 1.7 per cent originally predicted.

Despite these warnings, the federal government has been forced to spend heavily to shore up bankrupt state governments.

Monthly inflation-linked pay rises of 20 per cent have ensured that wage bills will exceed receipts in many states notwithstanding redundancies running into the tens of thousands.

A plan to roll-over $3.5bn in state debt has already been approved, but may not be sufficient. Eight state banks have also been brought under the wing of the Banco Central after encountering difficulties. Of these, six alone hold debts of more than Cz 100bn ($2.9bn).

In the private sector, thousands of small companies, formed last year when official inflation near zero brought low interest rates, are now bankrupt.

But while President Jose Sarney has repeatedly promised tough controls on federal spending, he is now facing a barrage of criticism over his refusal to shelve costly capital projects, many announced only recently.

Yesterday, the respected Rio de Janeiro newspaper, Jornal Do Brasil, claimed the cost of nine schemes, including the controversial north-south railway and a new steel plant, would amount to $37.3bn — almost exactly one third of the country's $113bn foreign debt.

Alfonsin defends army amnesty

BY TIM COONE IN BUENOS AIRES

PRESIDENT Raul Alfonsin of Argentina made an impassioned defence of his policies and government before leaving for a visit to Switzerland, beginning yesterday.

In a televised speech to the nation, he defended his human rights policy saying: "We cannot rip our vestments on the altar of human rights, and not worry in the slightest what might happen next month or next year, or what will happen to our sons."

He said the recently approved law absolving 300 military officers for abuses during the military regime, was necessary for the health of the nation. He insisted there would still be trials of more than 50 senior officers responsible for ordering repression. "This is the furthest step that will be made as a concession," he said.

He also gave the first public hints of the nature of a proposed constitutional reform, that will be attempted after the September elections. He said it would put an end to the creation of "Caesars" at the head of government and impede the possibilities of future coups.

Honduras may ban Contra meetings

By Peter Ford in Managua

HONDURAN President Jose Azcona has said he will stop Nicaraguan Contra leaders meeting in Tegucigalpa, the Honduran capital, which has long served as the anti-Sandinista political headquarters.

It is unclear, however, whether the president really intends to ban Contra meetings, or whether he is simply warning the rebels to be more discreet.

Honduras last week refused entry to three leading Contras, who had sought to attend the first full meeting of the Nicaraguan "National Resistance", the anti-Sandinistas' new new political organisation.

The publicity that meeting had been given embarrassed President Azcona, coming just weeks before a Central American presidential summit in Guatemala to discuss a regional peace plan.

The Honduran Government has been seeking to distance itself from the Contras, whose main bases are in Honduras. It was the Honduran army, however, which seems to have insisted on preventing last week's rebel summit.

A few days earlier, a group of Contras had attacked a Honduran army post near the Nicaraguan border. Six rebels were killed in the fight, according to army officers, and the rest were detained.

It was not known whether the Contras mistook the Honduran soldiers for Sandinista troops, who often operate across the Honduran border, or whether they were deliberately seeking to lay the blame for the attack on the Sandinistas, and thus create a potentially explosive border incident.

Amid rising discontent in Honduras about the Contra presence, President Azcona has insisted that the rebels must fight in Nicaragua, rather than shelter in Honduras.

Rise forecast in US capital spending

US COMPANIES expect to increase spending on new plant and equipment this year by a healthy 2.8 per cent, Reuters reports from Washington.

The figure, based on a survey by the Commerce Department, is well above the 1.8 per cent increase in real capital spending seen earlier this year.

Biden picks up the Kennedy mantle

BY NANCY DUNNE IN WASHINGTON

SENATOR Joseph Biden of Delaware, seeking to rekindle the idealism of the John Kennedy years, yesterday announced his candidacy for the Democratic Presidential nomination.

The senator, 44, whose bid for the presidency had been predicted since he was elected to the Senate at the age of 30, directed his message to the "baby boom" generation born after the war and called for compassion to the poor, the hungry and the homeless.

"For too long, we have sacrificed personal excellence and moral values to the mere accumulation of material things. For a decade led by Ronald Reagan, self-aggrandisement has been the full-throated cry of our society: 'Got mine, get yours'," he said.

Regarded as one of the best Senate orators, Senator Biden warned that as a result of accumulated problems with the economy, the environment and drugs, the America which appears to be a tranquil and prosperous nation is risking its future and that of its next generation.

"If we choose the easy path, raiding the nation's stores, and devouring the seed corn of our children, we will deliver them a lesser America," he said.

The tall, trim and balding Senator is leading other Democratic candidates in fund-raising, but has yet to show any strength in the polls.

Chilean general denies succession rumours

BY MARY HELEN SPOONER IN SANTIAGO

Chilean Air Force commander General Fernando Matthei denied Monday that he had secretly conferred with US officials about the succession to General Augusto Pinochet.

The country's military junta was not yet considering possible candidates for the one man Presidential plebiscite scheduled for 1989, General Matthei said, but he planned to leave the government that year.

The official statement came at a time of mounting evidence that General Augusto Pinochet, whose regime has been in power for nearly 14 years, plans to seek another eight-year Presidential term in 1989. On Friday General Pinochet presided over an outdoor ceremony marking a Chilean military anniversary which was also billed as a personal tribute to the General.

Only one of the four junta members, former secret police director and army representative General Humburto Gordon was present at the ceremony. According to the terms of the regime's constitution, the military junta will choose a candidate — who could be General Pinochet — to run in the Presidential Plebisite in 1989.

General Matthei along with the commanders of Chile's navy and national police, is known to oppose any scheme in which General Pinochet would prolong his Presidency.

Peru's police retake town

PERUVIAN police have retaken the small town of Uchiza from Sendero Luminoso guerrillas. Uchiza lies in Peru's large coca growing area in the Huallaga velley, writes Barbara Durr in Lima.

The guerrillas attacked the Uchiza police post on June 1, killing six of 28 police, according to General Juan Zarate, Chief of Peru's ant-narcotes squad. The remaining police escaped.

Last Sunday at least 100 well-armed police were airlifted into Uchiza where without a fight they lowered the guerrilla flag of a hammer and sickle and raised the Peruvian colours.

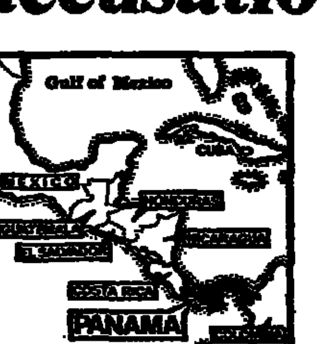
Over the last year, the Maoist guerrillas of Sendero Luminoso have been moving heavily into the coca growing region. They want to increase their presence in the area to earn money from the drug traffic by charging fees for landing planes

Interior Minister Abel Salinassaid said Peru intended to extend its police operation in the coca region. A vast drug control operation with US support has been rumoured in Lima for two months. Police are currently so outnumbered and out-gunned by drug traffickers and guerrillas in the Huallaga Valley that they have been reduced to only directing traffic.

NEWSPAPER CHARGES STIR CONTROVERSY OVER ELECTION

Panama military embroiled in fraud accusations

PANAMA'S powerful military chief General Manuel Antonio Noriega accused a former close collaborator yesterday of treachery for linking him with electoral fraud and the murder of his most outspoken critic, Reuter reports from Panama City.



Gen Noriega, commander of the 20,000-strong Panama Defence Forces, accused Colonel Roberto Diaz Herrera of "high treason" in a speech to scores of high-ranking officers here.

Col Diaz responded later by saying that Gen Noriega hid behind the protection of his armed guards and challenging him to join in hand-to-hand combat.

Colonel Diaz made the accusations in a story published yesterday in the opposition newspaper La Prensa.

On Monday, Col Diaz gave Monsignor Marcos Gregorio McGrath, Archbishop of Panama, documents he said proved Gen Noriega was involved in the assassination of opposition leader Dr Hugo Spadafora.

Col Diaz also provided other papers he said involved Gen Noriega and Col Alberto Purcell, assistant chief of staff, in the alleged assassination of Gen Omar Torrijos, who headed the country after a 1968 coup until his death in a plane in 1981.

Gen Noriega said the accusations by Col Diaz were a "conspiracy."

As armed forces chief of staff, the 49-year-old Col Diaz was the second-ranking military authority after Gen Noriega, who heads the Panama defence forces.

There have been similar allegations against Gen Noriega but those of Col Diaz were the first by anyone in the government. La Prensa quoted Col Diaz as saying: "Gen Noriega is directly involved, and there is proof of it, in the assassination of Gen Torrijos."

Gen Noriega was Gen Torrijos' intelligence chief at the time but inherited command of the national guard, now known as the Panama Defence Forces, after Gen Torrijos' death.

Gen Torrijos' family has claimed to have proof he was assassinated but has never presented it publicly.

Gen Noriega said: "We could pardon any other enemy from the opposition ... but not a man who was nursed, protected,overfed by the institution (and) treated paternally (by Torrijos)".

Church authorities at Col Diaz's home said they would keep the documents he gave them sealed for the time being.

La Prensa quoted Col Diaz on Monday as saying he and Gen Noriega arranged election fraud in 1984 to deprive Dr Arnulfo Arias of victory.

Col Diaz said: "Legally, what I am saying is that Arnulfo Arias is the president of Panama." He added he had first tried to avoid the fraud and favor Dr Arias, "but what worried me was the fact that if Dr Arias took power, he was going to go against the institution (the military) and that institution I will always defend."

He said politicians and military men were involved in the fraud.

Col Diaz also said he forced the resignation in 1985 of former president Mr Nicolas Ardito Barletta, who has declared winner in the 1984 elections, and of President Ricardo de la Espriella in 1984.

Gen Noriega was travelling in Europe when Dr Spadafora's decapitated body was found on September 14, 1985, in Costa Rica. An outspoken opponent of Gen Noriega, Dr Spadafora had charged in published reports that he was a drug smuggler and was involved in other illegal activities.

Dr Spadafora's family filed charges against Gen Noriega before federal authorities at the time. But no one has been arrested in the case. Col Diaz said Gen Noriega "made a game of trying to imply to people of the opposition that I was responsible because I was in command" of the army and police when the crime occurred. He said that although he officially retired, he was in fact forced out for participating in the electoral fraud, having proof of the Spadafora assassination and for having acquired a luxurious residence with money from visas that the military sold to Cuban immigrants. He invited Gen Noriega and other officials to join him in presenting themselves to authorities to be charged.

Officers in the Panamanian defence forces expressed "unbreakable loyalty" to the armed forces and Gen Noriega late on Monday. They said they "resolutely reject the treason and paranoid conspiracy against our institution."

The Revolutionary Democratic Party, founded by Gen Torrijos, said on Monday that Col Diaza was being used by the opposition to destabilize the country in alliance "with internal and external forces of the United States" to avoid returning the Panama Canal. The United States is to transfer full control of the canal and its defence to Panama on December 31, 1999.

Venezuela to study debt restructuring

VENEZUELA'S governing party will consider calls by party members to renegotiate the nation's $20.3bn foreign debt rescheduling agreement. AP reports from Caracas.

A special committee "to study whether to continue servicing the debt or restructure it" will present its recommendations to party leaders within 10 days, the newspaper El Nacional reported quoting Mr Manuel Penalver, Secretary-General of the governing Democratic Action Party, as saying.

The accord, signed in February 1986, has already been amended once to extend principal payments and lower interest.

"It is a political problem as well as a financial one," Mr Penalver was quoted as saying following a Monday meeting of top party leaders.

The government's policy is to pay the debts on schedule in order to facilitate Venezuela's re-entry into international capital markets.

But some Democratic Action and opposition party politicians want to reduce debt service in the face of a balance of payments deficit this year that could reach $2.5bn.

Payments on Venezuela's entire $32bn debt will amount to $5bn this year, or about half of the nation's expected income.

French yard beats UK for ferry order

BY DAVID HOUSEGO IN PARIS, WILLIAM DAWKINS IN BRUSSELS, AND JAMES BUXTON IN EDINBURGH

BRITANNY FERRIES, the French-owned cross-channel ferry group, has placed a FFr 435m (£43.9m) order for a new ferry with a French shipyard in spite of a significantly lower offer from a British yard.

Industrial sources said yesterday that the order had been placed with Chantiers de l'Atlantique yards in north-west France under pressure from the French government and regional authorities, to help protect jobs in the area. The funds for the purchase are in practice being put up by Sabemen, a company representing the regional authorities, which will then lease the car ferry to Britanny Ferries.

Mr Giles Shaw, Britain's Industry Minister, said yesterday he was "considerably dismayed and disappointed" by the French decision, while in Scotland, Govan Shipbuilders, the Clydeside yard, was angry, though not surprised, by the French decision.

In Brussels the European Commission said yesterday it would ask the French Government to give details of national assistance given to Chantiers d'Atlantique. This follows British allegations that the French authorities have been unfairly subsidising the yard, which, like many of its competitors, is struggling for orders.

Govan, owned by British Shipbuilders, had put in a bid of FFr 410m to build the ship reflecting its lower costs. The British have argued that the French could not build the ship for under FFr 450m without government subsidies.

Chantiers de l'Atlantique is owned by Alsthom, the French heavy engineering and shipbuilding group controlled by Ethe Compagnie Generale d'Electricite (CBE) which is being privatised. It recently suffered a major blow in losing a $150m order to build a second luxury liner for the US Sitmar Cruises group.

Mr Alain Grill, the director general of Alsthom, said yesterday that the new order represented 1.5m hours of work or the equivalent of a year's full employment at the yard. He said: "It is the best solution in the current context of shipbuilding for saving the yard."

The decision marks the second time in recent weeks when a "buy French" proposal has been given preference in spite of a better offer from Britain. The STEF refrigerated wagons and cold storage group, a subsidiary of the French state railways, was sold to Compagnic Generale Maritime (CGM) in spite of the British-owned cold storage company Frigorifiques de l'union offering to pay more. Frigorifiques is owned by Western United.

The EC inquiry into the Brittany Ferries order was a routine investigation under the Commission's competition rules which say that all national aid has to be cleared by the authorities in Brussels. The EC has the right under its shipbuilding code to refuse permission for aid that is used to help yards outbid each other.

The Commission has already been notified of national assistance for Govan, but it is awaiting details from the French Government. On receipt of the details, the Commission will issue a judgment within 30 working days.

The French order would have given Govan, a second ferry to build following its recent successful completion for P & O of the ferry Norsea. Recently the yard won orders for two container ships for China worth £50m, which should guarantee the jobs of 1,850 workers for the next two years, but it would have had the capacity to build the ship for Brittany Ferries as well.

Honda close to deal on Argentine plant

BY TIM COONE IN BUENOS AIRES

AFTER three years of protracted negotiations, Honda, the Japanese motorcycle group, seems close to an agreement with the Argentine Government to build a manufacturing plant in Argentina.

According to Mr Luis Garcia, an under-secretary of the industry ministry, agreement is close on the terms of an industrial promotion scheme which would give tax and investment incentives to locate the plant in the northern province of Cordoba. Mr Eduardo Angeloz, the governor of the province, is in Tokyo discussing the project with Honda.

Mr Oshiba, the Honda representative in Buenos Aires said the principal points remaining to be worked out were over the compensated trade arrangements between Brazil and Argentina. These will determine the ratio of imported to local parts used in output from the Argentine plant.

In the original 1984 Honda proposal, 33,000 machines in excess of 125 cc capacity were to be produced per year from the plant after six years, rising from 12,000 in the first year of production. Honda already has a plant in Sao Paulo in Brazil, manufacturing between 10,000 and 12,000 motorbikes per year.

Honda's idea is to interchange parts between the two plants, but the proposal has met with resistance from Argentinian parts manufacturers who wish to assure themselves an important share.

Parallel negotiations are continuing between Argentina and Brazil over a trade protocol in vehicles and car parts, which would eliminate trade tariffs between the two countries.

The Honda plan is that initially 60 per cent of the parts will be imported, falling over the six year expansion period to only 15 per cent.

Mr Oshiba says that the Argentine plant will produce primarily for the local market which is almost virgin territory. The local motorbike models are almost entirely mopeds or below 125 cc capacity, and high protective trade tariffs make imported models expensive.

Mr Oshiba said, however, that economic conditions have changed since 1984, and that some revisions are being made to the original proposals. "33,000 (machines) per year will be the top end of the proposal," he said. The government also wants the company to export 50 per cent more in parts and finished motorbikes, than is imported in parts.

The plant will cost about $20m to build and the tax incentives are estimated at about $10m. These include removal of value added tax, reduction of capital and company taxes, and the reduction or elimination of import duties.

CEGB may import coal from China

By Maurice Samuelson

THE Central Electricity Generating Board may include a consignment of coal from China as part of its imports of about 1m tonnes a year for coastal power stations in South-east England.

This would be its first purchase from China, now the world's biggest coal producer. It has also been offered coal from Colombia.

The board purchases the overwhelming bulk of its 75m tonnes of coal a year from British Coal under a long-term contract part of which is adjusted annually to reflect changing world oil and coal prices.

It also has contracts to import about 700,000 tonnes a year from Australia and the US. The proposed Chinese and Colombian shipments are among many small quantities from various parts of the world which it has been offered on the spot market to meet its demand for a further 300,000 tonnes next year.

It previously used some of a Chinese consignment imported by the South of Scotland Electricity Board, but has yet to obtain its own shipment.

EgyptAir purchases two 747s

By Tony Walker in Cairo

EGYPTAIR is buying two Boeing 747-300 passenger aircraft for delivery next year.

Dr Fouad Sultan, Minister of Tourism and Civil Aviation, said the aircraft would help Egypt's national carrier cope with an expected increase in tourist traffic.

EgyptAir has been negotiating a $150m financing package with Irving Trust Company of New York, American Express Bank and Banque du Caire, one of the big four Egyptian public sector banks.

Dr Sultan said EgyptAir had returned profits of E£26m ($19.2m) in 1985-86. He expected a further increase in profits this year on an improved load factor of about 60 per cent.

The minister said tourism had picked up strongly after a downturn in 1986 because of terrorist incidents in the Middle East. In the first four months of this year, arrivals were up 35 per cent on the corresponding period.

Tourists were also staying longer. The average length of stay, he said, had jumped from six to 11 nights.

The US Eximbank chairman is rallying support for official trade finance, writes **Peter Montagnon**

Spotlight falls on export credit for debtor countries

LORD LEVER, the UK Labour Party politician, found few takers when he suggested in the early stages of the developing country debt crisis that the mobilisation of large amounts of officially-guaranteed export credit was a sensible way of helping the debtor countries. Now he has an unlikely ally in the form of Mr John Bohn, chairman of the US Eximbank.

Mr Bohn has been using a visit to Europe this week to canvas opinion on a new scheme whereby industrial countries might provide a series of long-term export credit facilities for debtor countries with IMF-endorsed economic adjustment programmes.

His idea, launched in a speech to insurance executives at a conference in New York last month, is timely.

It comes just after the decision by Citibank and other international banks to step up their loan-loss provisions on developing country debt, a move which most observers of the debt scene reckon will make it harder to drum up badly-needed commercial bank finance for the developing world. Inevitably, the spotlight seems likely to focus more strongly on other, official sources of finance.

Yet, according to Mr Bohn, the timing of his announcement was fortuitous. He had discussed it with his staff about a month before the Citibank decision, and it remains tentative.

The plan would have quite radical implications not only only for Eximbank, but for the way in which international arrangements for export credits operate. It has not yet been discussed by the bank's board. Nor has it been put before the US Congressional committees which oversee its operations.

Mr Bohn starts off from the recognition that Latin America has always been a major market for US exporters. In 1981, the year before the crisis broke, US exports to Latin America totalled $42bn. Last year, despite some recovery from their lowest point, they were still running at only $31bn.

From the point of view of a country trying desperately to narrow its trade deficit with the rest of the world it thus makes sense for the US to rekindle this flagging business through the provision of extra official trade finance. Mr Bohn has in mind 25- to 30-year fixed rate "adjustment facilities" whose availability would be tied to the purchase of US goods.

In that sense the main purpose behind the initiative is strictly trade-related. From the point of view of debtor countries, however, the facilities could offer a longer-time horizon than has been available from commercial banks. Stretching out the term would avoid the cash-flow problems that have bedevilled rescheduling exercises. Using the money to buy US capital goods and equipment would be a way to "jump start those economies back into a growth mode," Mr Bohn said.

Mr Bohn said he envisaged the use of Eximbank guarantees either on commercial bank loans or on securities issues in the capital markets to make the funds available.

This year Eximbank expects to have between $1bn and $2bn of unused guarantee commitments at its disposal. Using around $1bn of this capacity, which might be matched with a similar amount each from Japan and the EC would mean a total of $3bn. With stepped up World Bank activity, "we begin to take aboard some meaningful debt adjustment capacity."

In practice, however, there are serious potential obstacles. Congress looked askance when Eximbank provided balance of payments finance to some of the debtor countries in 1982 and 1983. It would have to be persuaded that it was in the US trading interest to do so now. Secondly, although Japan has responded sympathetically to the idea, European countries might have reservations on the grounds that their capital markets cannot readily sustain such long maturities.

Thirdly, the admission that export credit agencies were to provide such long-term finance would mean revision to the


John Bohn: "jump - start economies into growth"

current Organisation for Economic Cooperation and Development consensus rules on export credits under which such long maturities are banned.

In his New York speech, Mr Bohn drew attention to the way in which, unlike Japan and France, the US has not traditionally used development aid to further the commercial interests of US companies.

In what appeared to be a concession to the neo-mercantilism which the US in theory abhors, he suggested the time had come to take a new look at this policy. Though Eximbank's adjustment facilities would be tied to US exports, he was at pains yesterday to stress that his proposal should not be seen in a similar light.

The proposal should not be muddled up with the debate on aid and trade, he said, not least because the rates offered on the facilities would not be concessional.

Arguably, however, their long maturity would give the facilities some of the characteristics of concessional finance, because it would be far longer than the debtor countries could hope to achieve by other means. From that perspective the US could easily be accused of committng the very mercantilist sin it traditionally condemns.

Mr Bohn said he discussed his idea with officials of the Japanese Eximbank and Overseas Economic Cooperation Fund at the recent Asian Development Bank meeting in Osaka. They said they were willing in principle to contribute funds to the scheme that were not tied to Japanese exports. That was reasonable, he said, because Japan has a trade surplus.

In practice, the Eximbank is likely to act as an information channel for US companies, telling them when Japan has untied lines available for particular developing countries as part of its latest plan for recycling some of its surplus back to the developing world.

Part or all of Mr Bohn's ideas could easily be subsumed by the present industrial summit in Venice, but meanwhile it remains to be seen how European countries will react.

One risk they face is that, if the US does offer, say, a major adjustment facility to Mexico tied to Mexican imports of US goods, it will be cornering an important share of what is by definition a limited market. The pressure would be on European countries, which are also grappling with the need to revive stagnating export markets in the developing world, to match that with similar facilities of their own.

That is where the spectre resurfaces of cut-throat competition between export credit agencies that is ultimately damaging because it distorts trade flows at great expense to the taxpayer in the developed world.

Even the unflappable Mr Bohn admits his idea is controversial, but he says it could turn out to be a productive way of helping debtor countries who want to repay their debts but need more time and money. "We're dealing with not only the financing of goods but the reactivation of growth and borrowing capacity."

Besides, the export credit agencies should have a role to play in helping resolve the debt problem. "In the export credit agencies we have the one institutional base where both debt and trade come together. There really is no other institutional approach where that happens."

Farmers' army to oppose Philippine reform

SUGARCANE farmers in the central Philippines have organised a private army to oppose government plans to break up big landholdings and distribute them to the poor, **Reuter reports from Bacolod.**

Plantation owners said 200 men had joined their army and were being trained in a secret camp in Negros Occidental province.

The plantation owners, who asked not to be identified, presented several members of their army and their weapons at a news conference outside Bacolod, the provincial capital.

A spokesman for the group said they fear President Corazon Aquino will begin a sweeping land reform programme that would limit private land ownership to seven hectares.

A presidential spokesman last week said President Aquino, whose family owns a 6,000-hectare sugarcane plantation north of Manila, was expected to issue a decree before the newly-elected Congress convenes on June 27.

"It is our view that Congress should be the one to decide the agrarian reform program and not the president," the spokesman said. "Technocrats around the president have no right to decide the fate of Negros."

Negros island is known as the sugar bowl of the Philippines because it produces more than 60 per cent of the country's sugar production.

Most of the land is owned by a few old families, which hire thousands of plantation workers. Many were thrown out of their jobs when the world sugar price dropped in recent years.

Widespread poverty and unemployment have fuelled the growth of the communist New People's Army, which infiltrated big plantations and has been demanding taxes from the "haciendero" landowners.

Many residents believe the private army would be used against communist rebels as well as against the land reform.

Colonel Miguel Coronel, the military provincial commander, told reporters he had sent messages to the plantation owners to discourage them from their plans.

Col Coronel said the military had already taken precautionary measures but did not elaborate.

Bacolod police chief, Colonel Herman Plotona, called on the plantation owners, who burned tyres in front of the provincial capitol building last Saturday, to bring their grievances to the negotiating table.

Afghan guerrilla attack leaves 80 Russians dead

EIGHTY Soviet personnel have been killed in an attack by Moslem guerrillas on a camp north of the Afghan capital of Kabul, Western diplomats said yesterday, **Reuter reports from Islamabad.**

They quoted reports received from Afghanistan as saying two Russians were also captured in the attack at Khenjan on the *Salang highway, the main land* link between Kabul and the Soviet border.

The diplomats said there had been intense fighting in the past week around Kabul as Moslem guerrillas fighting the Soviet-backed government began re-infiltrating.

Soviet forces had been seeking to counter rebel activity to the north with bombing and artillery strikes.

The guerrillas had shot down some 29 aircraft during May, including a transport plane in which 12 Afghan military pilots were killed on May 29.

Western military experts estimate there are some 115,000 Soviet troops in Afghanistan helping the Afghan army fight Western-backed guerrillas.

Africa bank chief fears squeeze on loans

By Tony Walker in Cairo

A LEADING Third World banker has expressed concern about a squeeze on funds available for African countries following drastic measures takeu by big US banks to cover doubtful loans.

Mr Babacar N'Diaye, president of the African Development Bank (AFDB) said on the eve of the bank's annual meeting that he feared the consequences of decisions by Citicorp and Chase Manhattan to make huge provisions for non-performing loans, mostly to Latin American countries.

"I am afraid such a trend may have an effect on the possibilities to extend credit . . . to some of our member-countries," Mr N'Diaye said in Cairo.

The bank president called for a more sympathetic approach to Third World debt, saying: "We are working in countries which have difficulties. It is our task to see how best we can assist them."

After 22 years in business the bank had some "delays" on loan repayments, "but so far we are in control of the situation," he added.

The bank, founded in 1963, has a membership of 50 African states and 25 non-African countries. It is proposing to triple its capital to $19.6bn (£12.25bn) to help fund an ambitious new lending programem between 1987 and 1991.

Discussion at the annual general meeting is expected to centre in part on the extent to which non-African members, who own 33.3 per cent of the shares, should influence lending policy.

African states had pushed for new lending in the next five-year phase of $8.5bn. This was considered excessive by industrialised member countries

Mr N'Diaye said that debt problems were inherent to development. Lenders, he said, had a moral obligation to assist Third World borrowers to find a way to deal with their indebtedness.

Reuter adds from Hong Kong: Citicorp's Chairman, Mr John Reed, said the company's increase of $3bn to its loan loss reserve would give it more flexibility to accept debt-for-equity swaps for indebted Third World countries.

Nora Boustany looks at an Islamic resistance pledged to secure a place in paradise

Lebanon 'martyrs' step up their attacks

WITH COOL military planning and an unquestioning lust for martyrdom, increasing numbers of young pro-Iranian fighters are throwing themselves into operations aimed at finally pushing Israel out of Lebanon and securing themselves a place in heaven.

There has been a major upsurge in guerrilla attacks by religiously-fired resistance fighters in the south of the country in the last few months. Along with a proliferation of Katyusha rocket attacks blamed on Palestinian fighters, the harassment by Islamic fighters within Israel's self-proclaimed security zone has put Israeli troops on the alert.

In March and April alone, the Islamic resistance was responsible for 135 hit-and-run attacks against Israeli encampments and convoys or those of the Israeli-backed South Lebanon Army, according to independent military observers in south Lebanon. But tension has undergone a further sharp increase since a pitched battle 10 days ago between Islamic fighters and Israeli and SLA troops, in which 31 people died. It was the Islamic resistance's biggest operation to date, and the fiercest bout of fighting in south Lebanon in two years.

Since 1985, when Israel withdrew the bulk of its troops from south Lebanon, keeping only a small 1,000-man force in the security zone, a total of 17 Israeli soldiers and 110 SLA men have been killed—an illustration of how difficult it is still proving for Israel to extricate itself completely from the country five years after its disastrous 1982 invasion. At least 100 civilians have ded as a result of retaliatory atcion by the Israelis, quite apart from the casualties suffered from Israeli raids on Palestinian camps.

Moslem guerrillas said they set off a land mine in south Lebanon yesterday, destroying on Israeli tank and killing or wounding its crew, Reuter reports from Beirut.

A statement issued by the Islamic Resistance said its fighters planted the device on Ali al-Thaher road, on the edge of Israel's so-called "security zone."

"An Israeli Mirkava tank was destroyed and its occupants were killed or wounded by the explosion," the statement said.

SLA Commander Antoine Lahad is warnig that any house in the security zone found to conceal weapons or explosives wll be blown up. But violence has spread beyond the zone, a strip six miles in width which stretches for 50 miles between the Mediterranean coast and the foothills of Mount Hermon. Sheikh Ali Yassin, a Shia cleric in the port city of Tyre says: "The resistance has a deep and hidden presence all along the confrontation lines bordering the security zone. They are digging holes and living in them."

There are fears that the Israelis are trying to enlarge the security zone, in order to try to block guerrilla infiltration from villages close to the front line. Mr Nabih Berri, the leader of the Shia Amal militia, has accused Israel of trying to create a "scorched strip" around its buffer zone.

Fanatical religious belief is the main driving force of the movement, a loose coalition of Hizbollah (the Shia Moslem Party of God), the Faithful Resistance (a militant arm of Amal) and the Islamic Society (a grouping of Sunni fundamentalist factions). The fighters' reward is clear: a place in paradise, promised by the Koran to those who kill or die for God. The Hizbollah newspaper Al Ahd (The Pledge) contains numerous martyrs' wills.

But the movement also gets considerable financial, logistical and training assistance from a powerful external actor: Iran. Exporting Islamic revolution to Lebanon—and therefore to Israel's borders—is a key aim of Iranian foreign policy, and local religious leaders freely admit the support they receive from Tehran. Fundamentalists in Beirut estimate the budget of the Islamic Resistance at $1m a month.

The system works like this. Would-be martyrs are recruited by religious leaders commissioned by Tehran's Higher Defence Council through Hizbollah. A network of military operational centres studies the terrain and the feasibility of major operations before selecting volunteers. Once chosen, recruits are given religious training and prepared for eventual martyrdom.

For the villagers of south Lebanon, meanwhile, it is an altogether depressing story. Trapped between the Israeli front line and the guerrilla activity inviting retribution, the inhabitants of the 30-odd sleepy townships dotted along the border are by now resigned to a life of hardship. Israeli reprisal shelling has driven many north, but those who stay on cling doggedly to the only livelihood they know—cultivating olives, vegetables and tobacco.

"All our property is here and we just carry it on our backs and move," said Fatmeh Ramadan, a 26-year-old mother of five.

"We have learned that he who runs away has to keep running" says Jaafar, a father of nine. "You cannot flee everyday not knowing the distance you will have to travel or the duration. We are now convinced that we must stay."

Those who remain face innumerable difficulties in their daily life, to say nothing of the frequent reminder of fighting provided by the rumble of Israeli tanks or clatter of helicopter gunships. The water supply is short and its transportation hazardous. Some farmers on land bordering the security zone report being shot at when they try to till their land or fetch water, or having their olive trees or beehives burned by Israeli soldiers. Because of the dangers, the Lebanese Government has not sent its employees to buy up the annual quota of tobacco, and the latest crop is rotting in the fields.

Quite understandably, the villagers have mixed feelings about having resistance fighters operate from their midst. Some are trying to discourage the use of their towns as launching pads, given the likelihood of retaliation.

But the militants are adamant that the resistance will continue the struggle "as long as Israeli troops are over our land . . . until the last martyr," in the words of Sheikh Yassin.

Uganda troops kill 227 rebels

By Our Kampala Correspondent

UGANDAN Government forces have killed 227 rebels during an attack on a key rebel base at Cwero, 20 miles from the strategic northern town of Gulu, a Defence Ministry statement said yesterday.

The statement claimed that the National Resistance Army had captured 127 guns but gave no details of government casualties.

The attack comes at a time when President Yoweri Museveni's nine-month-old war against rebels in the northern district of Acholi appears to be drawing to a close. Up to 600 rebels have surrendered in the past two weeks, according to NRA officers in northern garrisons.

The rebels appear to be taking advantage of a partial amnesty, debated yesterday in Kampala by Uganda's ruling body, the National Resistance Council. The amnesty does not extend to former soldiers among the rebels who are allegedly guilty of acts of genocide, murder, or kidnapping.

On a helicopter trip to the north, Mr Museveni described a lingering division between rebels in eastern Uganda—Lango and Itesot tribesmen who fought for ex-president Mr Milton Obote—and the Acholi, who ousted Mr Obote from power in 1985.

Security problems in the east are likely to continue until the NRA focuses its attention on rebel banditry there and widespread cattle raiding which has impoverished tens of thousands of people. The majority of government troops are still deployed in the north.

Bavadra sees CIA hand in coup

BY ROBIN PAULEY, ASIA EDITOR

DR TIMOCI BAVADRA, the deposed Prime Minister of Fiji, said in London yesterday that he suspected the American CIA was involved in the military coup which overthrew his government last month.

As the islands' federal bank governor warned the political crisis was badly hurting the economy, Dr Bavadra said he hoped the Commonwealth Secretriat would at the very least send an international fact-finding team to Fiji to report to the world on what was happening. He will see Sir Sonny Ramphal, Commonwealth Secretary-General, this afternoon.

Dr Bavadra's government was toppled one month after being elected as the first left-leaning and Indian-dominated administration since the islands' independence in 1970.

He said a former CIA agent had publicly linked the coup with the CIA and said the visit to Fiji shortly before the coup by Gen Vernon Walters, President Reagan's special envoy and "trouble-shooter," who is also US ambassador to the UN, may have been significant.

The US and Western allies were anxious that Dr Bavadra's government proposed an anti-nuclear policy which could have prevent US ships using port facilities in Fiji, he claimed.

"I cannot help but feel there was some connection. I supsect there could be soem truth in these interpretations," said Dr Bavadra, who is in London lobbying for support in his claim to be restored as the island's legitimate prime minister.

The rapidly deteriorating economic situation as a result of the coup was underlined yesterday by the country's reserve bank governor, Mr Savenaca Siwatibau. The economy would contract unless the political crisis triggered by the coup were quickly resolved, he said.

Almost all sectors of business would be affected. The restoration of sugar exports, which contribute 60 per cent of exports and 15 pe rcent of GDP, held the key to Fiji's economic health.

Tourism, the other main foreign currency earner, was also badly affected, with some hotels closed and most others reporting only 20-30 per cent occupancy rates.

Dr Bavadra's aim to see the Prime Minister or Sir Geoffrey Howe, Foreign Secretary, have been thwarted partly by the British general election campaign and partly by the Foreign Office's detached view that Fiji's problems are not its concern.

Police arrest 2,000 in S Korea

BY MAGGIE FORD IN SEOUL

SOUTH KOREAN police rounded up 2,000 dissidents yesterday on the eve of a major rally planned to coincide with the national convention of the ruling Democratic Justice Party.

Ministers in charge of security, who have mobilised 60,000 riot police for duty today, vowed to prevent what they described as an illegal demonstration. The rally has been called by opposition groups to protest against President Chun Doo Hwan's decision to call off talks leading to full democracy.

Today's police presence in Seoul, always heavy when the president leaves his tightly-guarded mansion, is expected to be unprecedented. The South Korean leader plans first to visit his party's convention where his handpicked successor, Mr Roh Tae Woo, will be confirmed as the party's presidential candidate in the election late this year.

Later, at the same time as demonsrators have been asked to gather at Seoul's Anglican cathedral, the president will be attending a reception with Mr Roh.

Police numbers in the city centre were already growing yesterday at 10,000 students demonsrated on university campuses, and religious groups pledged to go ahead with today's rally.

The forces guarding Mr Kim Dae Jung, the opposition leader who has been under continuous house arrest since April, were yesterday increased as Mr Kim was refused permission to attend the Queen's Birthday celebration at the British Embassy.

His colleague, Mr Kim Young Sam, is to lead a delegation of National Assemblymen to the rally site tomorrow evening.

'Plot' jolts Singapore's complacency

BY ROGER MATTHEWS IN SINGAPORE

IN ANY political risk analysis of countries which have won independence during the past 40 years, Singapore must rate among the most secure.

It enjoys many benefits — a developed and still relatively buoyant economy, the second highest per capital income in Asia, a burgeoning middle class and strong domestic leadership — without suffering from the more negative aspects such as political prisoners and obvious or immediate external threats.

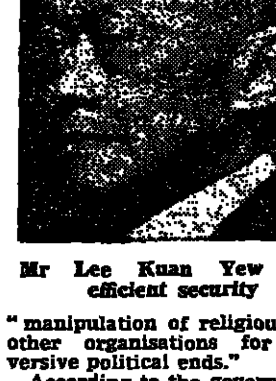
But if that is how many younger Singaporeans and foreign observers have tended to view the country, then their complacency has received a sharp jolt.

What has been discovered in the midst of this well-ordered, disciplined society is, in the words of the Government, "a Marxist conspiracy to subvert the existing social and political system in Singapore through Communist united front tactics to establish a Communist state."

A total of 16 people, nine of them women, were arrested on May 21 under the terms of the Internal Security Act. They could face indefinite imprisonment without formal trial. The 17th, the alleged mastermind and leader of the conspiracy, is meanwhile still at liberty and in his second year reading law at Balliol College, Oxford.

The accusations against the 17 have been detailed in extensive press releases and wide domestic media coverage. Their alleged anti-state activities were not those familiar to governments in London, Paris or Madrid.

The police have not discovered arms caches, automaiic weapons or bomb-making kits. Instead they have found what the Government describes as the



Mr Lee Kuan Yew . . . efficient security

"manipulation of religious and other organisations for subversive political ends."

According to the government, the principal target of the group was the Roman Catholic Church which has abour 100,000 adherents among Singapore's 2.5m population.

Of the 16 arrested, four were full-time Church workers and six more assisted the church on a part-time voluntary basis. One of them, Mr Vincent Cheng, was in 1985 appointed executive secretary of the Justice and Peace Commission.

The common aim of these "comfortably well-off, English-educated graduates and professionals" was allegedly to use the Church and student organisations as a launching pad to seize power in Singapore

At the centre of the web is said to be Mr Tan Wah Piow, the Oxford undergraduate who was jailed in Singapore for 12 months in 1975 on charges of unlawful assembly and rioting, and who is accused of planning to return to Singapore in 10 or 15 years when Prime Minister Lee Kuan Yew is "no longer around."

Meanwhile, his fellow-activists, inspired by the ideas of "liberation theology" from Latin America and the Philippines, are said to have been posing as dedicated social workers fighting against injustice, and oppression. During what were obstensibly Bible-study sessions, they are said to have been spreading their Marxist-Communist message.

Mr Lee has made clear that the evidence against the 16 will not be tested in the courts. After meeting Archbishop Gregory Yong earlier this week, Mr Lee pointed out that it was not the practice in Singapore to take this route. So long as the Government was satisfied with the evidence, that was enough.

His statement came in response to a request from the Archbishop who said that the church would like evidence to show that nine of the 10 church workers had been involved in subversive activities.

Archbishop Yong said that because of Mr Vincent Cheng's admissions, he had in this case to accept the Government's statement.

Mr Lee and the Archbishop emphasised their desire for Church and State to work harmoniously together, but the Church has also said that it has to continue its mission of spreading its teachings on matters pertaining to justice as they apply to social and economic issues.

Far more difficult for the Government to judge is the extent to which its message on the perceived ever-present Marxist threat to Singapore is being absorbed by the younger generation.

The key longer-term political significance of these events could be the extent to which it has influenced the Prime Minister as he ponders the question of when to transfer greater responsibility to the new generation of party leaders.

However, for the political-risk analysts, there is less of a problem. They can see that Singapore has an alert and efficient security service and they could equally conclude that, from an international perspective, the threats were not of enormous proportions.

Jayawardene accuses India of 'bullying'

By John Elliott in Colombo

PRESIDENT Junius Jayawardene of Sri Lanka yesterday accused India of following "the path of violence, of bullying" when it invaded Sri Lankan air space over the northern peninsula of Jaffna last week.

Demonstrating the strength of feeling on the island over the action, Mr Jayawardene told a parliamentary meeting that Sri Lanka had been invaded 20 times—16 times from Indian soil and four times by powers from the Far East and the West.

"The Indian invasion of June 4 was the 21st," he declared. That added "a few hours" to a total of 715 years' occupation in the island's 2,500-year history. "Sri Lanka had no means of resisting India's unilateral action physically, nor will it be able to do so in the future."

Speaking in terms of Buddhist non-violence, he said he had "informed my people not to retaliate in any way." This appears to have had a calming effect on an anti-India demonstration yesterday by several thousand Buddhist monks and followers of Mr Jayawardene's ruling United National Party outside the Colombo residence of the Indian High Commissioner to Sri Lanka.

There were fears of violence at this demonstration, which was organised by junior ministers and officials.

Trafalgar plans £21m oil assets disposal to BP

BY LUCY KELLAWAY

TRAFALGAR HOUSE, one of the biggest explorers for oil onshore in the UK, is negotiating with BP for the sale of more than half of its onshore oil assets for about £21m.

Trafalgar's decision to reduce its exposure to onshore exploration, is a reflection of the disappointing results from onshore drilling in the UK, and a result of changes in last year's budget which made onshore exploration costs no longer allowable against petroleum revenue tax from offshore fields.

The move comes as other oil companies have been expressing reservations about the prospects for onshore oil in the UK. Since the 230m barrel Wytch Farm field was discovered in Dorset on the south coast of England more than 10 years ago, there have been no further major finds.

One of the few other producing fields, Humbly Grove, in which Trafalgar has a 25 per cent stake, is now thought to contain only half the recoverable reserves initially estimated.

BP, which has been the most successful onshore company with a 50 per cent interest in Wytch Farm, has been steadily adding to onshore licences over the past two years. The acreage which it is proposing to buy from Trafalgar is concentrated in the East Midlands, Yorkshire and Humberside, with much of it in blocks in which BP already has a stake.

Mr Williamson said yesterday that Trafalgar would retain half of its interest in Humbly Grove as well as most of its unexplored acreage. He said that some of the areas in which the company had explored had proved disappointing, especially in the East Midlands.

However, he said Trafalgar had made encouraging gas finds in North Yorkshire, which BP was particularly interested in acquiring.

Trafalger became involved in onshore exploration through the purchase of Candecca Resources in 1984 for £78.5m, which then had more onshore UK acreage than any other company.

Although the costs of looking for and recovering oil onshore are considerably lower than in North Sea, some companies have been put off by the delays involved in obtaining planning permission to drill for and produce oil, which have resulted in plans being postponed for several years.

Trafalger said that it would make up for its reduced onshore acreage by expanding its presence in the North Sea. Mr Williamson said that the company was looking for opportunities to pick up further exploration interests.

More civil servants join strike over pay

By Philip Bassett

THE GOVERNMENT acknowledged last night that the numbers of civil servants taking part in the second day of the two-day strikes in the service over pay showed an increase yesterday.

The rise was in line with the predictions of leaders of the Civil and Public Services Association and Society of Civil and Public Servants. It is likely to be taken by union leaders as a further indication of continuing membership support for the action, even in the face of this week's general election which makes the outcome of the dispute difficult to gauge.

The Treasury said that some 99,500 civil servants took part in the action, up from the 97,500 the previous day. Many Government offices were again closed to the public and action by customs officers again hit export cargoes at Dover. Air traffic got back to normal, however, after a resumption of work by air traffic assistants.

● White-collar union Nalgo, Britain's fourth-largest, yesterday took a step closer to an open alliance with the Labour Party by voting to ballot in favour of a political fund.

M&G urges break-up of underwriting cartel

BY NIKKI TAIT

M & G, Britain's largest unit trust group and renowned for its independent views, is suggesting that costs of corporate equityraising should be reduced by a break-up of the established underwriting cartel.

Under standard practice in the City of London institutional investors currently receive a commission of 1.25 per cent for sub-underwriting rights issues, placings for cash or offers-for-sale. The commission is usually justified on the grounds that the investors would have to pick up the shares if the issue flopped.

However, Mr Daavid Tucker, managing director of M & G Securities and a director of the group, argues that the risk is different between these different types of issue. He says that even in rights issues, the risks change substantially depending on the quality of the company involved, pricing and so on. In addition, the growth in institutional holdings has changed the risk factor.

"The existing underwriting commision structure may well have been necessary 30 years ago", he argues in the latest issue of The Treasurer, the official journal of the association of Corporate Treasurers.

"It is no longer appropriate to an institutionally-dominated corporate society where the institutions are effectively taking commissions for underwriting their own subscriptions."

"M & G for one will be prepared to sub-underwrite issues of which we approve for a commission less than the standard 1.25 per cent, or even for no commission at all, provided other institutions can also be persuaded to leave the cartel."

Yesterday, Mr Tucker added that he would like to find a company which was seeking to raise money where, together with a small number of like-minded institutions, lower than normal commissions could be achieved.

The underwriting commission structure, however, is deeply ingrained, and in the words of one major institution, Mr Tucker is something of "a lone voice".

Those opposed to Mr Tucker's argument claim that the underwriting fee is justified by the risks, and that companies do have flexibility in the discount at which they offer the new shares.

In general, discounts have fallen since Big Bang, or deregulation of the City of London last October. Moreover, an alternative often held out to paying underwriting fees is a "deep discount" issue, where the price at which the new shares are offered is sufficiently low to make underwriting unnecessary – a route taken recently by both the Prudential, the insurance group and National Westminster bank.

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Financial brokers to deal on computer

By Terry Dodsworth

A COMPUTERISED network that will allow brokers in the financial services industries to transact contracts on screen will be launched in the UK next January.

The scheme, backed by Digital Equipment Corporation (DEC), the second largest computer company in the US, is likely to be the first of its kind in the world, mirroring the kind of transaction processing that has swept through the London Stock Exchange.

It will give brokers in a variety of markets, such as the mortgage business or the insurance sector, the facility to compare different contracts and then transact business for clients on-line.

Mr Alan Douglas, chief executive of Financial Marketing Consulting Group, which is working with DEC to set up the system, said yesterday that the plan had already attracted widespread interest among financial and related institutions.

The project has been made possible by recent regulatory and other legal reforms in the UK. On the systems side, DEC has been attracted into the market by the relaxation in the regulations covering telecommunications-related value added networks,

Liffe suspends and fines three traders after investigation

BY ALEXANDER NICOLL, EUROMARKETS CORRESPONDENT

LONDON International Financial Futures Exchange yesterday fined three traders £1,000 each, suspended them for a week and reprimanded a member firm in the first results of a five-month investigation of rule breaches.

Penalties agreed by a disciplinary panel on about 12 other individuals and firms were not disclosed because they are subject to appeal to the Liffe board, which is expected to review the cases within the next two weeks.

One other trader is not appealing, but details of that case will not be revealed until later this week when the penalty comes before Liffe's membership and rules committee, which must endorse suspensions of longer than a week.

The three traders penalised were found to have broken, on specified days last year, an exchange rule requiring all traders to be carried out through the "open outcry" method commonly employed in futures pits. This means that bids and offers must be shown to the marketplace and not prearranged between dealers.

The three, whose suspensions began yesterday, are: Mr Gordon Lawrence, a broker at Alexanders Rouse, Mr Tony Mesure, a broker at David Morgan Futures, and Mr Steve McGlone, an independent or "local" trader.

Fulton Prebon Futures, a firm which clears trades for other Liffe members, was found to have violated an exchange rule because of poor internal controls. The inadequacy of its systems to ensure that business was being conducted in accordance with Liffe rules could have brought the exchange into disrepute, Liffe said.

Fulton Prebon said the breaches occurred in early 1986 when it was not a full clearing member of Liffe. "We are now a full clearing member and our systems are such that incidents of this nature could no longer go undetected."

The firm said the breach was technical and minor in the context of the overall Liffe investigation.

The probe, the most serious in Liffe's nearly five year history and seen as an important test of its self-regulatory role, centred on pre-arranged trades which were thought to be linked to avoidance of UK tax.

The UK arm of Cargill, the US commodity trading group, and its former senior floor trader are among those which have been under investigation.

System X fault fixed

BY DAVID THOMAS

GEC, the UK electronics group, has had to replace a key component in many of British Telecom's System X digital telephone exchanges because it has developed a fault.

The fault, which has not affected exchanges delivered by Plessy, the other System X manufacturer, resulted in problems such as calls being wrongly routed or mistakenly giving the engaged tone.

BT discovered the fault, which it regarded as a major problem, earlier this year in line cards, a component with an important role in the routing of telephone calls.

The faulty line cards were in some exchanges delivered by GEC early in the System X installation programme.

GEC immediately replaced a large number of older line cards with more modern ones, and is still trying to find the cause of the fault.

GEC and BT are due to discuss the fault's financial implications this month, although BT is not seeking straightforward financial compensation.

The outcome of those negotiations will be affected by whether BT decies to keep the replacement line cards or to lake back the older line cards once the fault has been corrected.

The negotiations could result in GEC having to make a payment to BT, but such a payment is not expected to be large.

UK NEWS

US video group plans British rental chain

By Raymond Snoddy

WEST COAST Video, the third-largest US video rental chain, yesterday launched a franchise operation in the UK which it hopes will lead to the creation of a national chain of up to 500 people.

Mr Elliot Stone founded West Coast in Philadelphia four years ago because he could never find the film he wanted to rent. He says he has tried to do for video what McDonalds did for hamburgers. Total revenues of West Coast stores in the US now amounts to $60m a year – $25m of it in company-owned rather than franchise stores.

West Coast has an agreement with Manchester businessman Mr Kenneth Taylor to launch West Coast video stores in the UK. Mr Taylor, whose company will be called West Coast Video Enterprises and will finance the development, plans to open its first three stores in the Manchester areas in September.

Mr Taylor, who has worked previously in car retailing and advertising, hopes to open 50 video stores all over the country and find an additional 450 franchises.

He believes the day of the small local video shop may be about to pass in the way that big supermarket chains transformed the grocery trade.

"In the end there will be about four chains in the UK, and we intend being in a very substantial position," Mr Taylor said yesterday.

The UK video market was worth £375m last year, according to British Videogram Association figures. But only 30 per cent of the 9.7m homes with video recorders now regularly rent films from video shops.

This percentage, Mr Taylor believes, can be greatly improved by introducing modern retailing methods and attracting the family audience.

West Coast video shops are computerised, have on average 2,000-4000 sq ft, stock between 3,000 and 10,000 film titles and have 40-80 copies of popular films.

Mr Stone says franchises need between £150,000-£200,000 to set up in business. This includes £16,000 which covers franchise fee and rights to the computer software system.

Corporation tax surge 'unlikely to continue'

BY JANET BUSH

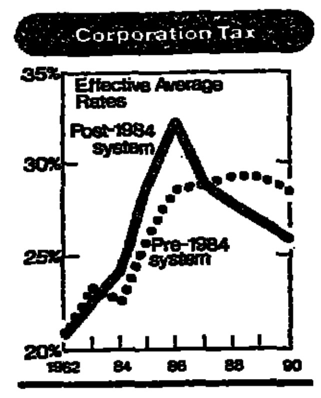
BUOYANCY IN the Government's receipts of corporation tax, which helped give the Chancellor of the Exchequer scope to cut both public borrowing and income tax in this year's budget, is not likely to continue, according to the Institute for Fiscal Studies (IFS).

The study, by Mr Michael Devereux of the IFS concludes that the Government's forecast of 31 per cent growth in non-oil mainstream corporation tax in 1987/88 seems optimistic.

The two main reasons for the past tendency for the revenue buoyancy seen in the last fiscal year – the dip in the value of capital allowances as a result of tax reforms in 1984 and the fall in the number of companies avoiding paying mainstream corporation tax – will not continue, it says.

The recent buoyancy of corporation tax revenues has not only been due to rising company profits but also to the effects of tax reform which effectively enlarged the tax base. These tax changes included the abolition of stock relief and a phasing in of less generous capital allowances.

IFS projections show that the proportion of companies not paying mainstream corporation tax falls from 35.5 per cent in 1982 to only 11.6 per cent in 1988, so enlarging the tax base by five times during the period.



The IFS has produced a graph showing projections of the effective tax rates in operation as a result of the 1984 reforms and rates which would have prevailed without these adjustments.

This illustrates that the new system yielded higher tax rates up to March 31, 1986, the end of the transition period. There is a one-year lag before these effective rates are translated into actual revenues and the graph clearly shows a sharp dip in the effective tax rate after the peak in early 1986.

The IFS concludes in the longer run the situation is less than clear cut. On current central forecasts for the economy provided by the London Business School, the new system will yield lower revenues. However, much depends on the rate of inflation which has a considerable effect on the effective average rate of tax.

There are two reasons for this. One is that the system gives no allowances for that part of profit which is due to the increase in the nominal value of stocks – where that increase is due to inflation, that part of the profit is purely fictional.

Second, since capital allowances are based on the historic cost of fixed assets, the real value of writing down allowances on past investment is lower, the higher is inflation.

On the assumption of inflation at about 4 per cent a year until 1990, the new system clearly yields less in tax revenues. However, as the inflation rate increases, so the fall in revenues is less sharp.

A separate article by Mr Bill Robinson, IFS director, concludes that the Government has explicity recognised the possibility of slower revenue growth by revising down the forecast growth of taxes relative to money GDP.

"In other words, the Government is being deliberately cautious, for the good reason that the revenue bonanza is due to favourable factors which could at some stage go into reverse," he says.

Sanctions 'no bar,' court told

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE extra-territorial effect of the US sanctions against Libya was irrelevant to a dispute over Libyan funds frozen by the sanctions in the London branch of a New York bank because the money was subject to US law, it was claimed in the High Court in London yesterday.

Libyan Arab Foreign Bank, which is wholly owned by the Libyan central bank, is trying to recover about $300m (£184m) from the London branch of Bankers Trust Company.

Bankers Trust has said it cannot comply with the Libyans' demand for payment without breaking US law, in terms of the sanctions imposed by President Ronald Reagan in January last year.

The Libyan bank argues that the sanctions are no bar to payment. It contends that the money, in a dollar deposit account, is subject to English law and, under long-standing banking practice, is payable in London.

Mr Peter Cresswell, QC, opening the case for the Libyan bank on Monday, said political action by overseas governments should not be allowed to interfere with bankers' obligations in the City of London and that "the writ of the US does not run in this country."

Mr Jonathan Sumption, QC, for Bankers Trust, yesterday told Mr Justice Staughton: "This is not a case concerned with the extra-territorial effect of US sanctions legislation."

He said that as a result of fundamental changes in the contractual relationship between Bankers Trust and the Libyan bank in 1980 the London account was governed by US and not English law.

The Libyans had opened another account in 1980, in New York, with Bankers Trust. The London account had since been used solely as a medium of investment, with all its other functions and management transferred to New York, where it was directly subject to sanctions.

Furthermore, Mr Sumption said, the money in the London account was part of the Eurodollar market and, in accordance with usage in that market, payment could be made only in the US through the clearing systems – where, again, it would be caught by the sanctions.

The sanctions had blocked off the conventional payment method and made it impossible for Bankers Trust to fulfil its contract with the Libyans – even if, as the Libyans argued, the contract was governed by English law.

The Libyan bank is claiming payment of $131m, which was in the London account when the freeze was imposed, and $161m which, it asserts, would have been in that account had Bankers Trust obeyed instructions, given before the freeze, to transfer it from New York.

The hearing, expected to last four weeks, continues today.

Citroën aims AX launch at new market

CITROEN will launch its AX small car tomorrow into a sector of the UK market to which it claims it has not previously had access, and which accounts for 23 per cent of all new car sales, John Griffiths writes.

This should allow about 7,000 AX models to be sold between now and the end of the year, with 18,000 sales – 1 per cent of the market – expected in 1988, according to Mr Bernard Peloux, Citroen UK's managing director.

The AX is aimed at the 3-door "supermini" market, in which cars such as the Ford Fiesta and Rover Group's Metro are the leading contenders. Even in petrol-engined form the AX is the world's second most economical car.

■ CENTRAL Electricity Generating Board may include a consignment of coal from China as part of its imports of about 1m tonnes a year for coastal power stations in south-east England.

This would be its first purchase from China, now the world's biggest coal producer. It has also been offered coal from Colombia.

■ GOVERNMENT is considering a programme to funnel several millions of pounds of funding into research on industrial applications for newly-discovered superconducting materials, according to an industry executive.

The new materials transmit electricity with almost no power loss and are potentially cheaper and more efficient than superconductors now in limited use.

■ CHANGES in the health and social conditions of many British children over the past 10 years cannot be viewed with "anything but deep dissatisfacition," the National Children's Bureau says in a report published yesterday.

■ RACAL Vodafone, one of the two cellular telephone networks, has achieved the target population coverage set by the Government 2½ years early.

This is further confirmation of the fact that cellular has expanded in the UK much faster than most people's expectations.

■ EDMUND Nuttall, construction group, has been chosen by London Regional Transport to build the planned extension of the London Docklands light railway from the Tower of London to Bank station in the City of London.

The £59m design and construction contract will only be placed if financing arrangements are completed for the proposed Canary Wharf office development on the Isle of Dogs.

Company Notices

GOLD FIELDS GROUP

DECLARATION OF DIVIDENDS

The following final dividends have been declared in South African currency, payable to members *registered in the books of the companies concerned at the close of business on 26 June 1987:*

Name of Company (All companies are incorporated in the Republic of South Africa)	Dividend No.	Amount per share (cents)
Deelkraal Gold Mining Company Limited (Registration No. 74/00160/06)	9	40
Doornfontein Gold Mining Company Limited (Registration No. 05/24709/06)	61	145
Driefontein Consolidated Limited (Registration No. 68/04880/06)	28	210
Kloof Gold Mining Company Limited (Registration No. 64/04462/06)	35	80
Libanon Gold Mining Company Limited (Registration No. 05/08381/06)	73	250
Venterspost Gold Mining Company Limited (Registration No. 05/05632/06)	94	180
Vlakfontein Gold Mining Company Limited (Registration No. 05/08155/06)	82	30

Warrants payable on 5 August 1987 will be posted on or about 4 August 1987.

Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London Office of the companies.

Requests for payment of the dividends in South African currency by members on the United Kingdom registers must be received by the companies concerned on or before 26 June 1987 in accordance with the abovementioned conditions.

The registers of members of the above companies will be closed from 27 June to 3 July 1987, inclusive.

By order of the Boards
per pro CONSOLIDATED GOLD FIELDS PLC
London Secretaries
Mrs G. M. A. Gledhill, *Secretary*

London Office:
31 Charles II Street
St James's Square
London SW1Y 4AG

United Kingdom Registrar:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

9 June 1987

FIDELITY FAR EAST FUND

Societe d'Investissement a Capital Variable
13, Boulevard de la Foire
R.C. Luxembourg B 16726

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of FIDELITY FAR EAST FUND, a societe d'investissement a capital variable organised under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the principal and registered office of the Fund, 13, Boulevard de la Foire, Luxembourg, at 11 a.m. on June 30, 1987, specifically, but without limitation, for the following purposes:

1. Presentation of the Report of the Board of Directors;
2. Presentation of the Report of the Statutory Auditor;
3. Approval of the balance sheet and income statement for the fiscal year ended February 28, 1987;
4. Discharge of Board of Directors and the Statutory Auditor;
5. Election of eight (8) Directors, specifically the re-election of the following seven (7) Directors: Messrs. Edward C. Johnson 3d, William L. Byrnes, Charles A. Fraser, Hisashi Kurokawa, John M. S. Patton, Harry G. A. Seggerman and H. F. van den Hoven, and the election of Compagnie Fiduciaire;
6. Election of the Statutory Auditor, specifically the election of Coopers & Lybrand, Luxembourg City;
7. Authorisation of the Board of Directors to declare dividends in respect of the fiscal year ended February 28, 1987, if necessary to enable the Fund to qualify for "distributor" status under United Kingdom tax law; and
8. Consideration of such other business as may properly come before the meeting.

Approval of the above Items of the Agenda will require no quorum and the affirmative vote of a majority of the shares present or represented at the Meeting. Subject to the limitations imposed by law and the Articles of Incorporation of the Fund, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

BY ORDER OF THE BOARD OF DIRECTORS

Dated: May 29, 1987

NOTICE TO HOLDERS OF WARRANTS ASAHI GLASS COMPANY, LIMITED 2¼ PER CENT NOTES DUE 1991 WITH WARRANTS

As required under Clause 4 (A) and (B) of the instrument dated 23rd July, 1986 relating to the Bearer Warrants to subscribe for shares of Common Stock of Asahi Glass Company, Limited, notice is hereby given that with respect to the issuance of new shares for free distribution resolved upon at the meeting of the Board of Directors held on 13th May, 1987, the shareholders appearing on the register of shareholders of the Company as at 30th June (Tuesday), 1987, Japan time (the record date), will be allocated 0.05 shares for each share held by them, and as a result of such free share distribution the following adjustment of the exercise price shall be made pursuant to Clause 3 of the instrument:

1. Current exercise price before adjustment: Yen 1,323
2. Exercise price after adjustment: Yen 1,260.00
3. Effective date of the adjustment (Japan time): 1st July, 1987.
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Even if, occasionally, it means getting to grips with the likes of Moss Man.

Price Waterhouse

Raymond Snoddy on moves posing a threat to newspaper rail distribution

Paper chase to end of the line

AN ERA in newspaper distribution in which special newspaper trains travelled through the night from the great London stations as the papers were sorted on board may be reaching the end of the line.

Mr Rupert Murdoch, head of News International, pushed the British Rail service into loss when he took his four national titles off the rails and on to the roads when production moved to Wapping in east London last year.

Now his great rival Mr Robert Maxwell, publisher of Mirror Group Newspapers, may have delivered a fatal blow this week with his decision to deliver his three national titles by road using Newsflow, the National Freight Corporation subsidiary.

As a result it is now difficult to see how the rail distribution system can survive in its present form although nothing will happen immediately because most newspapers remaining with BR have contracts which run to the end of 1989.

"I think it is very difficult to see the system going on beyond the existing contracts. It's a great pity because there is no better way of sorting newspapers than at 60-70 miles an hour," Mr Frank Barlow, chief executive of the Financial Times, said yesterday.

After a final week of talks on Sunday, Mr Maxwell sent a letter to BR thanking them for delivering the Daily Mirror for more than 80 years but adding that from July 1 the Mirror titles would travel by road.

BR lost £8m from its total of £30m revenues on newspaper delivery when Mr Murdoch jumped the rails – although BR is suing for breach of contract. The Maxwell move will cost BR a further £5m.

Mr Robert Maxwell: 'a fatal blow?'

Mr Rupert Murdoch: 'jumped the rails'

One factor behind the Maxwell decision was his insistence that BR employ Mirror drivers who would have been made redundant had the BR offer to begin picking up newspapers from the publishers' premises been accepted.

BR says it is legally barred from employing such drivers directly.

The underlying reasons that tipped the balance towards road for Mr Maxwell were his plans to print in a number of plants around the country and his desire to create a new network to cut overall distribution costs.

"We needed greater flexibility on both printing sites and printing schedules and we wanted to cut out the double or triple handling which rail involves," Mr Patrick Morrissey, managing director of MGN, said yesterday.

The Maxwell decision has put enormous pressure on BR and Mr John Fitzgerald, BR's manager for newspapers and magazines, to come up with a new cost-effective package to hold on to the remaining business.

Mr Fitzgerald, who says the Mirror business was not lost "on grounds of cost or quality," is already at work trying to put together a new network, probably a mixture of road and rail, which would be viable in the long term. He concedes, however, that it is much easier to run a large or very small network than "a half-way house."

Every paper from The Daily Telegraph and The Guardian to the Mail and Express are all now reviewing their options and all have quotes from either National Freight or TNT, the company which delivers News International's titles.

"What I am in favour of is a distribution network which is as effective and inexpensive as possible and which does ultimately protect sales," Mr Nick Shott, circulation and publicity director of Express Newspapers, said yesterday. But he warned that, if everyone now ran off and did their own thing, "we might all be worse off."

If the BR system were to collapse entirely, which seems unlikely at least in the short term, W.H. Smith, the retail and wholesale group, already has plans for a new national delivery service using regional truck companies.

But Mr Rodney Buse, W.H. Smith's wholesale group managing director, said yesterday he expected a flexible, hybrid system to emerge which would reflect the new reality that some national newspapers had opted for distributed printing at different sites while others had built high-volume plants in the Docklands development in east London.

In such a system, rail, he believes, could still have a place "on long-distance runs where time and volume are critical." In the longer term, many in the industry believe, the increased flexibility of road could, however, lead to direct deliveries to the 40,000 or so newsagents, bypassing wholesalers and their commissions entirely.

Mr Doug Cartin, managing director of Newsflow, confirmed that distribution direct to newsagents would be a logical next step for the development of road services although a decision to go ahead still seems to be some way off.

Newsflow won the Mirror Group contract only after a fierce fight with TNT, and the road distribution market looks likely to shake down into a straight fight between these two groups.

Suzuki set for record vehicle sales

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

SALES of Suzuki four-wheel vehicles in the UK are on target this year to top 10,000 for the first time because it is supplying from three countries, according to Mr John Norman, chief executive of the Heron Corporation subsidiary which is the sole concessionaire for Suzuki products in Britain.

This represents an increase of about 25 per cent from the 3,724 commercial vehicles and 4,288 cars registered in 1986.

Suzuki has escaped the unofficial quote on Japanese four-wheel vehicle imports to the UK by arranging production deals in Britain and Spain.

In the UK, General Motors has been producing versions of a Suzuki micro-van at its Bedford plant in Luton, north of London. These have a European content of over 60 per cent and are sold as the Bedford Rascal through GM's dealer network and as the Suzuki Super Carry by Heron Suzuki GB.

Mr Norman says his company will sell between 2,500 to 3,000 Super Carrys through the 100-strong Suzuki dealer network this year, in line with forecasts made at the time the vehicles were launched in November 1985.

In Spain, Land Rover Santana, in which the state-owned Rover Group has a 33 per cent shareholding and Suzuki 17 per cent, is producing versions of the Japanese company's small SJ all-wheel-drive vehicle.

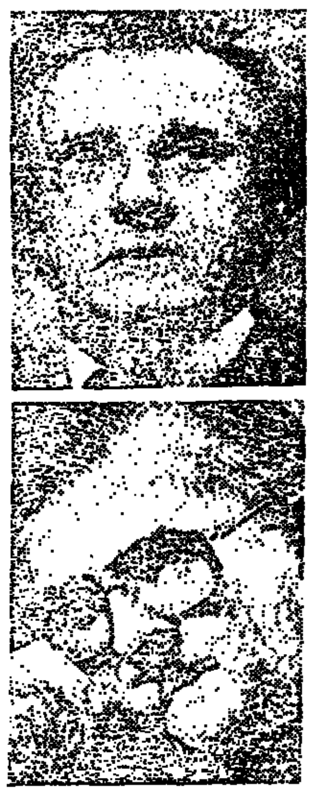
These have had free access to those European countries which restrict Japanese vehicle imports – France and Italy as well as the UK – since Spain joined the European Community in January.

One result should be a doubling of Suzuki four-wheel-drive sales in Britain to about 6,000 within three years, says Mr Norman.

Heron is continuing to bring in Japanese-built SJ vehicles which have retail prices about £1,000 below those of the Spanish versions but have a lower standard of equipment.

UK NEWS – THE GENERAL ELECTION

Chariots of Fire creator outscores Saatchi image-builders in battle honours



Winner Heseltine (top); loser Baker

Peter Riddell on campaign winners and losers

WHATEVER THE result of tomorrow's election, the campaign itself has changed the standing of many participants. Some have had a good war, others have not.

The obvious winner among the party leaders has been Mr Neil Kinnock who has excelled in what he does best, campaigning. He has enhanced his national position and internal authority. The concentration on image in the Labour campaign was reflected in the instructions to attenders at the party's Islington rally on Sunday: "Please throw streamers as balloons fall."

But once the gloss has worn off, Mr Kinnock will face the continuing problems of Labour's defence policy, the hard left and the party in London.

By contrast, Mrs Thatcher has at times looked tired and has faltered, appearing out-of-touch with voters' concerns about education and the health service. The campaign has underlined the doubts of many about the social side of Thatcherism. She is still the dominant figure in British politics, impressive in her range and authority. But, as her own ambivalent remarks about her future indicate, this may be her last election as party leader.

Indeed, some of her own senior colleagues regard the campaign as her "last hurrah," the final victory of a seasoned campaigner who ought to retire, say in two or three years' time, before her luck runs out.

The Alliance leaders have had a miserable campaign for all their energetic charging around the country. Mr David Steel has at times appeared lacklustre after too many disappointed hopes of a breakthrough. Dr David Owen has had a sharper cutting edge, particularly in the past 10 days, yet he has displayed obvious impatience and worry about a unique opportunity being missed. And neither can escape blame for mistakes in the Alliance's strategy.

The obvious winners have been those who shine on television like Mr Bryan Gould. He has been skilful and unruffled as the party's public face in London—enjoying a rapid rise from comparative obscurity as trade spokesman to a central place in the party's hierarchy. Otherwise, it has been so much Mr Kinnock's campaign that few others in the shadow Cabinet have had much chance to impress although Mr Roy Hattersley has had a good war when he could easily have been squeezed out.

Further down the scale, both Mr Jack Straw, Labour's environmental spokesman and Mr Gordon Brown, regional affairs spokesman, have confirmed their reputations as rising talents. And both Mr Frank Dobson, health spokesman, and Ms Harriet Harman, MP for Peckham, have had some prominence.

On the Tory side, there has been a fascinating daily exercise in Kremlinology to watch who comes on to the platform alongside Mrs Thatcher at the morning press conferences. The main, and unsurprising, omission has been Mr John Biffen, now semingly certain to be dropped if Mrs Thatcher wins. Mr Peter Walker has appeared twice and may be reprieved.

Judged by frequency of appearance, Mr Tony Newton, Health Minister, Mr John Major, the Social Security Minister, Mr Peter Brooke, MP for the City of London and Westminster South and Mr Nicholas Lyell, a Health and Social Security Undersecretary, are destined for promotion.

Contrary to popular expectations, Mr Nigel Lawson has been one of the Tories' few successes, good on both television and radio debates and in ebullient form throughout.

Mr George Younger and Mr Douglas Hurd have both confirmed that they have safe pairs of handsxnot a bad attribute for a Tory leader after Mrs Thatcher. And Mr John Moore, the Transport Secretary, a frequent attender at the party's press conferences, has impressed, notably in the Tories' most effective election broadcast. Lord Young has also proved to be a smooth campaigner.

The main Tory gainer has been outside the Government—Mr Michael Heseltine, who has earned the gratitude of colleagues for his 100-constituency tour of Britain.

At the start of the campaign Mr Heseltine was operating very much on his own, but the Conservative leadership has recently been keener to distribute his speeches and use him on broadcasts. It will probably not mean his return to office in the short-term, but his energetic campaigning has ensured that he remains in the public eye and is not consigned to the oblivion of other ex-ministers.

The main Conservative losers have been those involved with the campaign at Central Office. Insiders talk of no central direction. The Tories' marketing until recently has been outclassed by Labour and Saatchis' days as the maestros of political advertising appear to be numbered.

Among those not having a good war has been Mr Kenneth Baker, the pre-election favourite as Mrs Thatcher's successor. Although the original slip-up over education was Mrs Thatcher's fault, not his, the proposals have appeared only half-prepared and have reinforced doubts about his command over detail, as opposed to razzmatazz. Education has not been the vote-winner the Tories hoped.

But the biggest gainers in the campaign, as opposed to the electon, have the been the image-makers — Mr Hugh Hudson, who moved effortlessly from the Chariots of Fire idiom to create the compulsively viewable Labour election broadcasts, and Mr Peter Mandelson, the party's director of communications.

Mr Mandelson's grandfather, Mr Herbert Morrison, Labour's organisational supremo of the 1930s and 1940s, would have been proud of him. Whether it is socialism is another matter.

Thatcher launches final onslaught on Labour

BY JOHN HUNT

MRS THATCHER said last night that the outcome of the election tomorrow was more important than any since the war.

She warned that if a Labour government was returned to power it would within weeks destroy what the Conservatives had achieved and return Britain to a"strife-torn, strike-ridden, divided society."

She also warned: "Another Labour government would send inflation spiralling again." Financial prudence would go out of the window, the pound would go through the floor and prices through the roof.

Speaking in Harrogate at her last rally of the campaign, she described Labour as the "reckless party."

"It is reckless about defence, it is reckless about inflation, it is reckless about trade union power."

She renewed her accusation that Labour would put up taxes and would repeal the Government's trade union laws with a substantial return to industrial strife.

"Labour would condemn us and our children to a second-class life in a third-class country," she declared.

The Prime Minister also made a savage attack on the hard left of the Labour Party and tried to persuade mainstream Labour supporters to withold their support for Labour.

She said that many loyal Labour supporters had been driven out of their party by the new "hard-faced militants," extremists who were dislodging moderate Labour MPs. The next parliamentary Labour party would be dominated by these people.

The more Labour MPs there were the more extremist the parliamentary party would become.

"So I say to old Labour supporters: the extermists have already taken over your party. Don't let them take over your country."

She said that the country was in the final hours of an election that was probably the most crucial of the century. In eight years, she claimed, the Conservative partnership with the British people had transformed Britain from a country that had lost its way into a sturdy, vigorous and highly respected member of the world community.

Now was the chance to build on tihs foundation a form of democratic capitalism which would become an example to Europe and the world.

On the theme of prosperity, she urged voters not to let a Labour government "tax and inflate and regulate until we are all forced into a miserable equality of failure."

She argued that in eight years the Government had rebuilt Britain's defence, cut down "over-might union bosses, reduced inflation and transformed the economy jinto Europe's success story. "How long do you think it would take Labour to destroy our success?"

Defending the Government's record on the National Health Service, she said that spending on the NHS was up and that the money to pay for it and other social services had to come from those who created wealth in business and industry.

She repeated her hope of bringing the standard rate of income tax down to 25p in the next parliament. But Labour openly admitted it would put up income tax for everyone by 2p in the pound. It also belatedly admitted that it was going to remove the married man's tax allowance, thus putting up the married man's tax bill by £10 a week.

Steel sniffs 'sweet smell of victory' in election

By Philip Rawstorne

MR DAVID STEEL last night brought his election campaign to a climax with a rousing attack on the Government's "arrogance, stubbornness, greed and prejudice."

The Liberal leader told the final Alliance rally in London: "The ideology of Thatcherism must be driven out."

The Alliance could do it, he insisted. "The sweet smell of victory is in the air." It was a bravura performance but there was a desperate note to the clarion call.

Earlier in the day the Liberal leader appeared to have lowered his sights and to have settled for a reduced Tory majority rather than the balance of power. And a round trip to Exeter and Liverpool seemed to drain most of the optimism and energy from his campaign.

In London last night, however, Mr Steel lashed into the Conservatives

The new right had taken one nation and split it in two, he said. "They have betrayed the sense of fairness and moderation of the British people."

Institution after institution which reflected these values had felt "the icy blast of disapproval from the Tory thought-police."

The universities and the Civil Service, the BBC and local government, and the Church of England had all come under attack.

There must be a progressive alternative to the Thatcher Government, Mr Steel insisted. "There must be a government which gives ordinary people a chance. . . ."

Labour could not win. But the Alliance could bring about the changes that were needed. "We have sounded our trumpets at the walls of the two-party system and they are cracking," he declared.

But there had been no sign that Mr Steel was inflicting such damage in his visits to Exeter and Liverpool yesterday.

In Devon he was filmed with a mob of schoolchildren. And what had been seen as a challenge to Labour extremism in Liverpool turned into an anti-climax when Militant ignored his presence.

Mr Steel told reporters that he was still cheerful. "I think we are going to get many more seats in the Commons," he said. The Alliance would hold the balance of power "or something close to it."

Questioned about that qualification, he said that the Alliance could still exert a moderating influence merely by trimming back the Thatcher majority.

Wasn't he lowering his sights? "No, not at all," he said. "I am just facing reality."

Kinnock's last-ditch plea on Thatcherism

BY DAVID BRINDLE

MR NEIL KINNOCK, the Labour leader, last night summoned the ghosts of former Conservative leaders in a last-ditch appeal to voters to reject the "different brand of Toryism" of Mrs Thatcher.

He told a rally in Leeds that Churchill, Macmillan and Mr Ted Heath had enacted policies that would be unimaginable under the present Government.

Mr Kinnock's appeal came as he urged voters not to think only of their own material interests and those of their children, but to take a wider and longer view. He said: "We all put our own children first. It could not be otherwise. But if we say 'our own first and last and damn the res,' then the ressurely will be locked out and our children will pay the price of that in their time.

"The question for all parents, all grandparents, all people at an election is not just what will the outcome mean for me."

The elctorate faced choices starker than any facing any generation of voters since 1945. The Government and the Prime Minister lacked the commitment shown to the children of Britain by every government in the post-war period.

"Can anyone imagine Mrs Thatcher using the words of Winston Churchill that 'there is no better investment for the nation than putting milk into children's stomachs?'

"Can anyone imagine this Government committing itself to Harold Macmillan's housing programme?"

"Can anyone imagine this Prime Minister ending the 11-plus and spreading comprehensive education like wildfire as the Secretary of State for Education did in Ted Heath's government—a certain Mrs Margaret Thatcher?"

Mrs Thatcher had said in 1975 that some children should grow taller than others if they had the ability. She had repeated that in this campaign "in the true manner of the fundamentalist who wants to carry on the Holy War."

Yet she refused to fund the health service properly; she refused to make a commitment to provide free nursery education; she tolerated the squeezing of 1m children into classes of more than 30; and she denied students and universities adequate funding for them to carry on their education and research.

"Far from helping the children to grow tall a re-elected Tory Government would be operating a strategy for shrinkage of opportunities for great numbers of children."

Where parents could not or would not pay for their children's education, Mr Kinnock claimed, the Tories' education plans would restore the 11-plus and re-establish the secondary-modern school system.

Trevor Humphries

Elections can be fun: Jack Cunningham, Neil Kinnock and Roy Hattersley see the funny side at the Labour press conference yesterday

Swing to Labour in Wales

AN OPINION poll published last night shows a big swing to Labour in Wales.

The poll, commissioned by HTV Wales, suggests that Labour may gain 50 per cent of the votes cast in the principality.

Details are (1983 figures in brackets): Labour 50 per cent (37 per cent), Conservative 28 per cent (31 per cent), Alliance 16 per cent (22 per cent), Plaid Cymru 6 per cent (8 per cent).

If this result was repeated tomorrow it would be Labour's best performance in Wales since 1970. The poll was conducted by Beaufort Research of Cardiff, which interviewed 1,001 people at 38 points throughout Wales between June 3 and 5.

Another HTV poll carried out by NOP between June 3 and 7 suggested that the Conservatives could lose Ynys Mon, better known at Anglesey, in north Wales, to Plaid Cymru.

The poll puts both parties on 34 per cent. Labour is far back on 23 per cent (though this is a big improvement on 1983) and the Alliance share has slipped by a quarter to 9 per cent.

● Two polls suggest that SDP president Shirley Williams may fail to win marginal Cambridge.

One puts her two points behind the Tories, but another shows her in third place behind the Conservative and Labour candidates.

The first poll was commissioned by Anglia TV for a constituency profile and shows Labour's Mr Chris Howard on 35 per cent, Mrs Williams on 33 per cent, Conservative defender Mr Robert Rhodes James on 28.5 per cent and others, 3.5 per cent.

That means the Tories, who won the seat last time, are down 13 points on that result, the Alliance is up 3.5 points and Labour up 7 points, Anglia says.

A separate poll for the Cambridge Evening News showed figures for voting intention were Conservative 35.2 per cent, Labour 34.6 per cent, Alliance 29.5 per cent, Green Party 0.6 per cent.

● Tory candidate Mr David Gilroy Bevan is set to hold the key Birmingham marginal of Yardley with an increased majority, according to a Marplan Poll conducted exclusively for the Birmingham Evening Mail.

He has a 9 per cent lead over Labour compared with 7 points at the 1983 election.

Meet Mr Mole of Town Hall

THERE is nothing nowadays about the ancient market town of Chelmsford to remind one of The Wind in the Willows except its young Liberal candidate, Stuart Mole, and his campaign vehicle, the "Molemobile," of which Mr Toad would have been proud.

Once the centre of a rich, agricultural constituency, which returned Conservative candidates with the regularity of the chimes of its undistinguished cathedral, Chelmsford has become a typical dormitary town, and a Conservative-Alliance marginal to boot.

Stripped of a large proportion of its farming electorate by the redrawing of constituency boundaries, the local economy now depends on the electronics and services industries, with the latter employing more than half the local labour force. At the same time, some 12,000 of its citizens commute every day to London.

With unemployment at just over 7 per cent, well below the national average, and more than 67 per cent of local housing owned by its occupiers, Chelmsford is clearly a constituency that can be won by either the Conservatives or the Alliance, but in which Labour has virtually no chance.

At the last general election, the Alliance candidate was beaten by a mere 378 votes by the nationally known and locally respected figure of Mr Norman St John-Stevas, who has since retired from the fray.

If Mr Mole's chances are rated particularly highly it is that he is one of the brightest and most promising members of the small group of Alliance candidates with "ministerial potential." Moreover, unlike his Conservative and Labour opponents, Mr Mole has been burrowing away locally since he first arrived in Chelmsford in 1971. He has built up a considerable reputation as a borough councillor over the past 15 years and, since 1983, when the Alliance first won control of Chelmsford Council, as chairman of its powerful policy and resources committee.

Boyish, bespectacled and eminently "presentable" in his Prince of Wales check suit and brogues, the 38-year-old Stuart Mole gives a somewhat deceptive first impression of a conventional young professional man.

However, underneath it all it soon becomes clear that he is fundamentally a passionate idealist whose whole life and varied career betrays a conflict between an intellectual and practical approach, which he has tried to reconcile in the pursuit of politics.

Whatever his jobs, which have ranged from lecturer in government and politics, director of a charity for disabled people and speech writer for IBM's UK chairman, to head of Mr David Steel's private office and assistant director of the Commonwealth Secretariat, this son of an itinerant Anglican priest has been active in politics.

Rejecting any identification with the old "woolly-hatted, open-sandalled, soya-munching" image of Liberals, Mr Mole stresses that his guiding principle is "to become politically relevant through hard work."

"I really want to do things in places that matter," Mr Mole said in explanation of his long commitment to politics in Chelmsford. The remark could equally have applied to his work at the Commonwealth Secretariat and, particularly, his contribution to the report of the Commonwealth Eminent Persons' Group on South Africa.

Unlike some critics who look upon the Commonwealth as an anachronism, Stuart Mole feels strongly that its underlying principles — the need for dialogue, understanding and co-operation between and within nations — reflect the basic philosophy of the Liberal/SDP Alliance. The EPG report, whatever its lack of practical results, was an outstanding example of an exercise which attempted to apply this philosophy in a thorough manner and he was "very glad" to have been associated with it.

Chelmsford, in spite of the absence of any obvious physical attractions, has become somewhat of a passion for Stuart Mole. Just how long he has been involved in local politics —though he is still in his thirties he first stood in a Chelmsford parliamentary election in 1974, two years after being elected to the council— is illustrated by an early canvassing experience.

On that occasion, a constituent told the still wet-behind-the-ears Liberal candidate that he would not vote for him because Lloyd George had promised him two acres and a cow and he was still waiting to receive them.

Today, Stuart Mole can confidently expect his local links and record to play a more important role in the outcome of the election than any promises Lloyd George may or may not have made or kept. He believes that the achievements of the Alliance controlled borough council — the quadrupling of capital expenditure last year compared with 1983, new shopping and leisure centres — should help his chances.

On his canvassing rounds and at his meetings, Mr Mole underlines the adverse consequences for the local workforce of Mrs Thatcher's policies in particular. If Trident goes ahead and less s spent on other defence equipment, Marconi, the major local industrial employer, which has already had to lay off 450 people, is bound to suffer further, he claims. The argument does not fall on deaf ears in a constituency where 9,000 people are employed by the company in question.

A postcard pinned on the wall of campaign headquarters brings a touch of warmth to the dank and dingy building. "Dear Stuart," it reads, "Our thoughts are with you. Please, please make it this time. We will expect afternoon tea at the House of Commons, naturally." If Stuart Mole wins on June 11 after three previous unsuccessful attempts, the writers can expect not only tea, but crumpets inscribed with the Chelmsford coat of arms.

Roger Taylor

Vote catcher: Stuart Mole in Chelmsford.

Robert Mauthner on a passionate idealist of the centre in a marginal constituency

Owen confronts Tory waverers

BY IVOR OWEN

DR DAVID OWEN, leader of the Social Democrats, yesterday took the Alliance's appeal to the conscience of the affluet to the Conservative heartlands in Hampshire and Wiltshire.

In confident and relaxed speeches in Winchester and Salisbury, he sought to win over Tory waverers to swell the surge in support which he still confidently predicts will enable the Alliance to confound the opinion pollsters tomorrow.

Dr Owen said those in work should be ready to forgo the possibility of another 2p reduction in the standard rate of income tax, if the Conservatives were given another period of office to help bring unemployment down below the 3m presided over with such complacency by Mrs Margaret Thatcher.

Dr Owen told a young heckler in Salisbury: "You may have jobs down here and you may not be feeling savage unemployment.

"But what about your colleagues in Liverpool and the North, unemployed for three or four years? What is going to happen about them?"

When a tomato narrowly missed Dr Owen, as he addressed an open air meeting in Salisbury, a youngster wearing SDP badges threw it back into the crowd. Dr Owen immediately rebuked him. "Don't throw tomatoes — let's keep the election clean," he said.

In Winchester, Dr Owen denied that he was still in dispute with Mr David Steel, the Liberal leader, about how to deal with Mrs Thatcher in the event that the Alliance holds the balance of power in a hung parliament.

He reaffirmed that the Alliance would talk to the leader of the party with the most seats in te House of Commons, and acknowledged it might be necessary for the negotiations to extend over several days.

In such a situation, he said, Mrs Thatcher might well remain incumbent Prime Minister in a caretaker government over the weekend, and into Monday before it was possible for an agreement to be reached.

Dr Owen said any deal with the Conservatives would have to provide for changes in policy for dealing with unemployment, while any agreement with Labour would involve Mr Neil Kinnock abandoning his non-nuclear defence policy.

Election could be 'historic landmark'

By Ivor Owen

A POSITIVE vote for the Alliance could make the 1987 general election the historic landmark which changed the way in which Britain was governed, Dr David Owen, leader of the Social Democrats, claimed last night.

Joining with Mr David Steel, the Liberal leader, in addressing an enthusiastic Alliance rally at Westminster he invoked the spirit of President Roosevelt when he introduced his "new deal" in the United States to urge the voters of Britain to escape from Thatcherism and avoid the perils of Mr Neil Kinnock's Labour Party.

Dr Owen stressed: "A vote for the Alliance on Thursday is a particularly precious vote —for it could change not just the shape of the Government, but the shape of all future governments.

"Tomorrow's general election, he said, could ensure that never again could a party without the support of the majority of the people impose its ideology on the nation.

Dr Owen insisted that Mrs Thatcher did not command the wholehearted support of the country. People voted for her out of fear and not out of enthusiasm — "they do not vote with their hearts."

Dr Owen maintained that it was fear which had enabled the Conservatives to maintain their lead in the opinion polls.

Questioning what the Conservatives had in mind when they warned of achievements that could be wrecked or ruined he asked whether they were referring to the 3m unemployed, the 750,000 on hospital waiting lists, or the 16m—nearly a third of the population—living in poverty.

Dr Owen said people were afraid of Labour leaving Britain defenceless, ducking out of international responsibilities, and of "100 hard left" MPs in the commons. They also feared the return of trade union power.

Dr Owen declared: "There is no need to vote out of fear. For, as Roosevelt said, 'there is nothing to fear but fear itself.'"

By voting for the Alliance, he contended, it would be possible to have the sound market economy, conventional and nuclear deterrence, and responsible trade unionism.

People could vote for the Alliance with their hearts and their heads — "you do not have to cut yourself in two, half head and half heart."

Holidaymakers miss out on the vote

ONLY 24 per cent of British holidaymakers flying overseas have made provision to vote in the election, either by proxy or postal vote, according to a Gallup survey commissioned by the tour operator, Sunmed.

The result is based on a sample of 456 holidaymakers interviewed at Gatwick, Manchester and Glasgow airports from June 1-5.

Of those able to vote their intentions are: Conservative 58 per cent, Labour 20 per cent, Alliance 15 per cent with 7 per cent not disclosing or opting for other parties.

Election result book closed

WILLIAM HILL, the bookmaker, yesterday stopped taking bets on the Conservatives to win the General Election.

A flood of money forced the odds on the Tories being the largest party down from 13-2 on to 9-1 on. Under these odds no one could win money after paying betting tax, the bookmaker said.

Labour are offered at 6-1 and the Alliaince at 500-1 to win the most seats.

UK NEWS – THE GENERAL ELECTION

Healey in row over wife's private surgery

BY MICHAEL CASSELL

MR DENIS HEALEY, the shadow Foreign Secretary, yesterday became embroiled in an angry row over renewed publicity of the decision by his wife Edna to have private medical treatment.

The argument flared during an interview on TV-am. Despite Mr Healey's insistence that his wife's private hip operation was two years ago, it will embarrass the Labour leadership following the concerted attack on Mrs Thatcher's use of the private health service.

After heated exchanges with Ms Anne Diamond, the programme presenter, Mr Healey accused TV-am of "dirty tricks" by asking him to talk about the economic summit in Venice but raising the subject of his wife's treatment.

Mr Michael Heseltine, the former Defence Secretary, who was also in the studio, said that Mr Healey swore at Ms Diamond and that the episode demonstrated the hypocrisy of senior Labour politicians. Mr Healey later denied swearing.

A senior Tory official said privately that the disclosure amounted to "hypocrisy writ large" while Dr David Owen, the SDP leader, said that Mr Healey's cross-examination was "lovely theatre" which had left him "rolling on the floor with laughter."

Mr Neil Kinnock, the Labour leader, was said by his aides to be "disgusted" by the revival of the report. Later in Leeds he said he would not rule out paying for private health care if one of his children was "in agony."

Asked if there were any circumstances in which he would use private health facilities, he said that he had never been faced with that dilemma but if a child of his was in desperate need of attention, which could not otherwise be secured, he would seek private medical help. He added: "I would do anything to get attention for them and anybody who suggests otherwise is not being honest with themselves."

Mr Healey was questioned by Ms Diamond about a report in yesterday's Sun newspaper that Mrs Healey had had an operation in an Eastbourne private hospital. It also alleged she admitted jumping the National Health Service waiting list.

Mr Healey said that the report was "full of lies" and had tried to suggest that his wife's treatment had just taken place. He added: "My wife is a National Health Service patient. She has had three babies on the NHS. She is currently attending an NHS clinic in Eastbourne for a wound in her leg."

He said that his wife had sought private treatment because she was in extreme pain and that, as a result of Tory health polices, she would have had to wait three years for the operation. "She exercised her right, not as my wife, but as a breadwinner to use her money to ease the pain."

Mr Healey stressed that Labour had no intention of destroying private medicine, though it is committed to shrinking the private sector to limit its ability to tap the NHS of trained staff and resources.

Mr Frank Dobson, Labour's shadow Health Minister, yesterday resumed the attack on the Government's handling of the NHS: "Margaret Thatcher said last week that she can have hospital treatment any time, any day, any place. The vast majority of people are not so lucky."

Ian Hamilton Fazey assesses an opportunity for the Alliance in two Liverpool constituency contests

Stricken city will put tactical voting to the test

IT IS a telling reflection of the no-go reality of commercial life in Liverpool that there is only one Sainsbury's supermarket within the city's boundaries.

It is in Woolton, cocooned by friendly, owner-occupied suburbia from the seething council estates where Militant—and Liverpool's radical brand of municipal socialism—emerged and grew.

That portion of middle-class Liverpool which has not fled to the Wirral or the seaside towns of Southport, Formby and Crosby lives in places like Woolton or in the leafy districts of Childwall, Allerton, Aigburth or Grassendale.

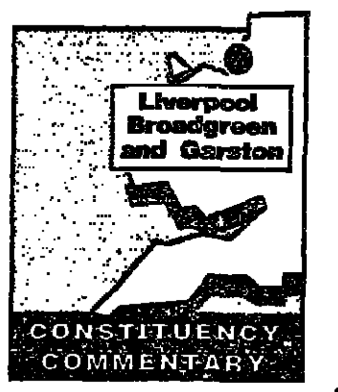
They cluster together, and if the Boundaries Commission had lumped them into one constituency in 1983 they would probably be returning a Conservative MP tomorrow.

But Childwall went into Broadgreen, which is being defended by Mr Terry Fields, a Militant supporter. Grassendale and Aigburth are in Mossley Hill, the solid power base of Mr David Alton, the *Liberal Chief Whip, while* Allerton and Woolton belong to Garston, the seat of Mr Eddie Loyden, a former union leader in Liverpool docks.

Tomorrow's polls in Broadgreen and Garston will test whether tactical voting really takes place in general elections. With their Liverpool vote in a state of city-wide collapse over the last two years, the Conservatives cannot win either seat. The Alliance can, but only if enough 1983 Tory voters switch to them.

Outside Sainsbury's Mr Richard Isaacson, a Social Democrat heavyweight in both senses of the word, has been *campaigning* hard to win the Tory tactical vote in Garston.

He wants people to switch from Mr Paul Feather, an able local hotelier whose "colourful" appearance is garnished by such un-Tory embellishments as a large diamond earstud and a small pigtail, tied with a bow at the back.



"I'm here so that as many *as possible can see what I look* like," Mr Isaacson says. "I've lived in Woolton all my life, I'm a barrister and I'm 80 per cent of what most of them would want in a Tory candidate. I happen to be in the SDP."

The *tactic seems sensible.* Every few minutes self-confessed Conservatives accost him before he can get to them, promising their votes "to get Loyden out." Others come to say that they live in Mossley Hill or Broadgreen and will be supporting his fellow Alliance candidates, Mr Alton and Mr Richard Pine respectively.

There is only one Conservative in several score who takes a decidedly different stand. She starts shouting at him from several yards away and continues over her shoulder as she passe by. "If you weren't standing Loyden would be finished," she booms.

He runs after her, trying to prove his case with the municipal election results of May 7, when the Alliance won 43 per cent of the votes in the six Garston wards, compared with Labour's 40 per cent and the Conservatives' 16 per cent. But she is unmoved.

A midle-aged man with a military bearing—he later reveals he is chairman of an ex-servicemen's association—says he is convinced by the figures but where does Mr Isaacson stand on capital punishment and nuclear power?

Mike Arron

Street credibility in Liverpool: Terry Fields campaigning in Broadgreen

He opposes the first but supports the second. "You're half-right for my vote then," says the elector, who then accepts Mr Isaacson's personal position on hanging—as a regular prosecuting barrister he says he could not live with the prospect of error.

An hour later, and two miles away on Pork Chop Hill, an*other style of electioneering is* in progress. The "hill" is actually a grass mound outside the No 1 gate at Ford's Halewood plant. It is a natural grandstand used for union meetings.'

In this case, about 100 Ford workers gather for a lunchtime election pep-talk by Mr Loyden and Mr Fields. Pork Chop Hill is actually in Knowsley South, but many Ford workers live in Garston or Broadgreen.

Both Mr Fields and Mr Loyden stress that if Labour wins tomorrow, it will be only the start. Full-blooded socialism is what they joined the Labour party to achieve, not "minding the shop for the bosses." That means Clause 4 of the party constitution, with nationalisation and control of the means of production, distribution and exchange.

Neither man wears Labour's red rose, nor does the name of *Mr Neil Kinnock pass their* lips—but when Mr Kinnock made his sole campaign trip to Liverpool he did not mention Mr Fields or Mr Loyden either.

Indeed, he only went to Mr Alton's Liberal stronghold of *Mossley Hill*, where the *Alliance* won 61 per cent of the aggregate vote on May 7, thrashing Labour on 28 per cent.

In Broadgreen, the figures were 54 per cent for the Alliance and 37 per cent for Labour. Mr Pine and his workers are hoping to keep it that way by exploiting Labour's divisions and Mr Fields' support for the ideas propounded *by Militant, the Marxist weekly* newspaper.

Mr Pine, who stood against the official SDP candidate last time and split the Alliance vote, tramps the long lines of suburban semis in Childwall looking to convert Tories to tactical voting. He finds a few who are "thinking about it" and marks them as doubtfuls on his return sheet. Labour's governance of Liverpool is almost the only doorstep issue.

A jobless man in his 50s, recently redundant from the nearby Plessey factory, promises support. Mr Pine does not let on that he is a personnel manager there. He admits it is one way his opponents are damaging him—Militant "class warriors" are labelling him a bosses' man and accusing many of his supporters of being traitors to their class when they canvass them.

The problem he faces is that the Conservative vote has already collapsed in the constituency at municipal election level, falling below 8 per cent on May 7. He has to rely on former Labour voters, who switched for local polls, staying with him. The national campaigns—with Labour dominating a lacklustre Alliance performance—have not helped.

But by conveying a responsible view of Labour they have aided Mr Fields, whose mild-mannered *sincerity on the door*step also provides a strong counter to the image of extremism promoted by his opponents.

Like many uncommitted observers on Merseyside, he thinks that people will revert to Labour tomorrow in both Broadgreen and Garston. "I expect to continue to have the privilege of representing my class in the bourgeois democracy of the House of Commons," he says.

The political divisions that underlie this statement are actually very serious for what remains one of Europe's most grievously stricken cities. Will *Liverpool ever be a fitter place* for Sainsbury's—or anyone else—to trade in?

BROADGREEN — 1983 election: T. Fields (Lab) 18,802; D. Dougherty (C) 15,002; R. Pine (Ind Lib) 7,021; R. Crawshaw (SDP) 5,169. Lab majority 3,800. Turnout 72.1 per cent.

Candidates: T. Fields (Lab), R. Pine (All), M. R. G. Seddon (C).

GARSTON—1983 election: E. Loyden (Lab) 21,450; J. Ross (C) 17,448; Miss R. Cooper (Lib) 7,153. Lab majority 4,002. Turnout 71.6 per cent.

Candidates: P. Feather (C.), R. Isaacson (SDP), E. Loyden (Lab).

'Muddle' alleged in Labour tax plans

BY TOM LYNCH

THE CONSERVATIVES yesterday launched a powerful attack on the "muddle" and sheer deceit" of Labour's plans for changes in income tax.

At a press conference in London, *Mr John MacGregor, the* Chief Secretary to the Treasury, said a man on average earnings with no dependent children would be more than £10 a week worse off under Labour—£7.64 as a result of the abolition of the married man's allowance and £3 from the reversal of the Budget 2p cut in the basic rate of income tax.

Mr Norman Tebbit, the Conservative Party chairman, said the abolition of the married man's allowance would hit 6m couples, the removal of the ceiling on national insurance contributions would hit 2m earners and all 25m taxpayers would suffer from the reversal of the cut in basic rate.

"Labour's claim that only the top 5 per cent of income earners would be hit by their tax increases is exposed as sheer deceit."

He described Labour's policy as a "muddle" and challenged Mr Neil Kinnock, the Labour leader, to publish his party's plans "if anybody has told him what he is going to be doing."

Mr MacGregor said there were "yawning gaps" in Labour's figures. He said a lower rate band as suggested to compensate the less-well-paid for other tax changes would cost £1.5bn, and he challenged Labour to say where the money would come from.

"It is hardly virtuous or moral for Labour to say it will spend a great deal more and refuse to say who will pay for it. It is becoming clear in the past few days that Labour has no idea where it is. Its deception takes my breath away."

● Mr Peter Walker, the Energy Secretary, said the Government expected to be ready to legislate on electricity privatisation in October next year. Questioned on whether the industry would be sold as a unit or broken up, he refused to be drawn, saying only that consultations would take place.

Capital repatriation plan to have 'forward effect'

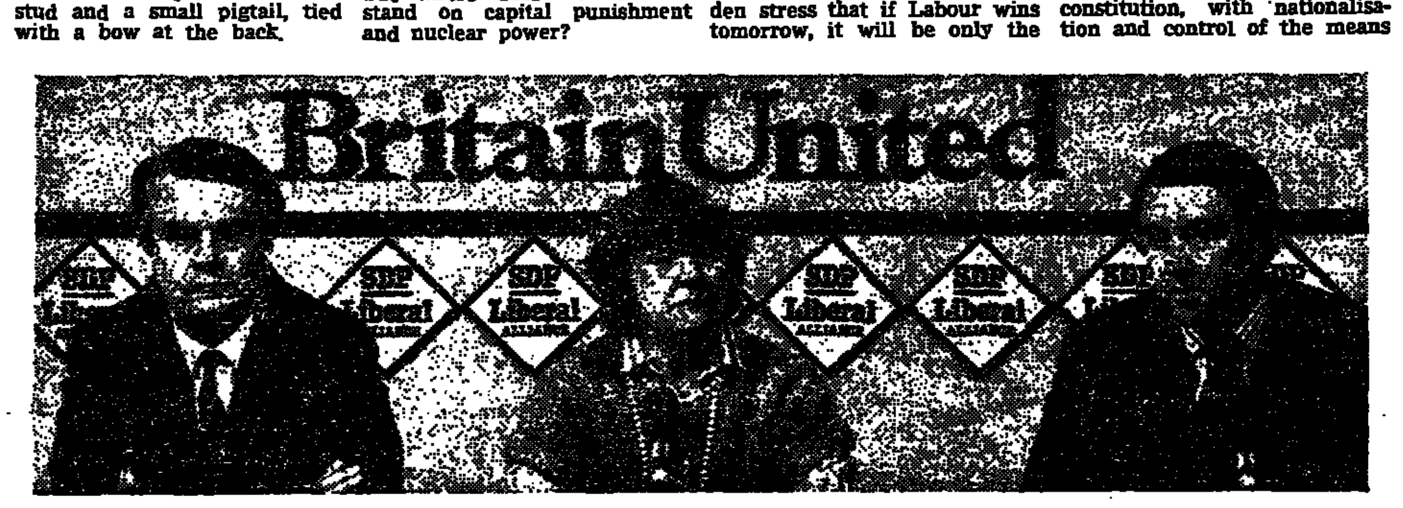
MR ROY HATTERSLEY the shadow Chancellor, said yesterday that Labour's capital repatriation scheme, designed to encourage the return of institutional funds from overseas for investment in the UK, would take effect even before the plan was operational.

He said the institutions realised that if they wished to continue to enjoy the tax con*cessions traditionally* granted to them, they would have to start repatriating funds straight away.

Mr Hattersley said the plan was designed to have a "forward effect" and claimed it would have a beneficial impact on the value of sterling. He claimed that if the legislation had been planned to prevent more money from going overseas from the moment it was passed, then the "patriotism" of the institutions "might well result in them trying to get their money out of the country before the law was passed."

But the proposed changes in tax concessions would take effect from the date of the *announcement of the necessary* legislation.

He said the strategy meant that long before the law was introduced the institutions would, in order to gain under the tax concession arrangements, *begin at once to return* investment funds to the UK.



United in grim concentration: David Owen, Shirley Williams and David Steel at yesterday's Alliance Press conference

Alliance pins hopes on electoral reform

BY TOM LYNCH

ELECTORAL REFORM could be the issue to attract a surge of voters to the Alliance in the last 48 hours of the campaign and deprive Mrs Thatcher of a third term of "unfettered" power, Alliance leaders insisted yesterday.

Mr David Steel, the Liberal leader, conceded at a press conference in London that the opinion *polls* were *pointing* towards an outright Tory majority, but predicted a late surge of "thoughtful voters" towards the Alliance "as people recognise that we are the only movement that can stop a third unfettered period of power for Mrs Thatcher."

Dr David Owen, the SDP leader, said private polls showed that one third of all voters had not made up their minds how to vote, and that half of those would rather see a coalition including the Alliance than an outright Tory or Labour majority. It was essential for the Alliance to gain their confidence.

He said a vital factor would be "*that central core question* that underpins our Alliance—our belief in proportional representation and our commitment to constitutional reform."

Mrs Shirley Williams, the SDP president, said: "The excesses of the loony left or raving right would not happen if we had a system of proportional representation."

Mr Steel predicted that some people who had been indicating allegiance to either Labour or the Tories might also be open to persuasion to vote Alliance. In particular, he said traditional "One Nation" Conservatives would be "edging towards us."

● Mr Steel accused Militant Tendency of "large scale inti*midation of our campaign*" in Liverpool Broadgreen and the south London Liberal stronghold of Bermondsey.

Pressed for examples, Mr Steel said Mr Simon Hughes, who is defending Bermondsey, had written to Mr Neil Kinnock, the Labour leader, and journalists had been referred to the contents of the letter.

However, Mr Hughes's letter, which challenges Mr Kinnock over Labour endorsement of candidates who support Militant, makes no mention of intimidation.

Mr Hughes said later that complaints of intimidation by Militant supporters were coming from campaign headquar*ters in Bermondsey and Broad*green where police protection had been sought for canvassers. A Bermondsey campaign worker said posters had been torn down, and one shopkeeper had been threatened with violence if he did not take down an Alliance poster.

Economic plans 'would step up rate of inflation'

BY RALPH ATKINS

Alliance and Labour plans for the economy would lead to accelerating inflation and a falling exchange rate, predicts the City University Business School.

In a report published yesterday, the school's forecasting group says unemployment would fall by 1m in a year under Labour and in two years under the Alliance.

But, under either plan inflation could rise to more than 10 per cent by 1991—although the Alliance proposals for a wage tax to curb pay rises, if successful, could keep it below 8 per cent.

The sterling effective exchange rate would fall by about 18 per cent in five years under Labour and by about 4 per cent under the Alliance.

The *report* says a re-elected Conservative government would also cut unemployment by 1m but it would take three years. Inflation would fall to 2.6 per cent in 1989 and then rise to 4.4 per cent in 1991.

The report says that although the Alliance's programme has been audited, its spending plans have been costed at 1987 prices. In practice inflation would raise the real cost by more than 33 per cent in four years.

"If you buy the Alliance, you end up paying more than you expected, and you don't get any more for your money than under Labour," said Mr Roy Batchelor, one of the report's authors.

"Otherwise it is a straight choice between temporarily higher unemployment under the Tories, and permanently high and accelerating inflation under Labour."

Party platforms (and candidates) stray beyond the fringe

FIONA THOMPSON on alternative manifesto styles

LORD BUCKETHEAD, contesting Finchley for the Gremloids Party against Margaret Hilda Thatcher, was unavailable for comment. His phone is ex-directory.

Michael George Gibson, the Feudal Party candidate in Tatton, Cheshire, could not be *contacted because "he doesn't* believe in telephones," according to the helpful woman in the Macclesfield borough council election office. Well, he wouldn't, would he?

It's tough work tracking down the fringe candidates.

Crispin Slee, standing in Bedfordshire North as the Only Official Best Party Candidate for the This Is The *Best Party I've Ever Been To* Party, was chased to ground in Ampthill.

The TITBPIEBTP manifesto is a simple, honest one, says the 22-year-old warehouseman.

"We want Stewartby and Grafham lakes in Bedfordshire to be made into EEC beer lakes, all diets to be made illegal, and a punitive tax imposed on small clothes and high-fibre food.

"We also want more tea for vicars."

The party, set up in 1982, has just under 100 members; it is based in The Ship pub in Bedford.

On law and order, they believe that the police should be helped to integrate more into the community. "Every pub bar should adopt a police officer who should do the *rounds," says Mr Slee.*

Mrs Muriel Hughes, the Public Independent Plaintiff candidate in Kensington, London, reckons she has all the ingredients to make Britain "a perfect country." These, however, must remain under wraps until June 12. "Mrs Thatcher has her secrets and I have mine," she says.

A vote for the PIP would result in no strike lasting longer than one day and no one being a victim, or, for that matter, a criminal, for longer than one day.

Mrs Hughes would abolish the House of Lords and set up an alternative group of "Public Incorruptibles." Full employment would be guaranteed across the country within one month.

Mrs Hughes has not been out canvassing. "I believe it's an impertinence to knock on people's doors."

George Weiss, known to his friends as Captain Rainbow, is contesting Hampstead and Highgate for the Rainbow Alliance. A diamond merchant in Hatton Garden until 1975, he is standing on a "unify Hampstead and Highgate and call it Highstead" ticket.

The Alliance manifesto calls for the abolition of *parliament*, nuclear energy installations and cash. Britain would be closed down for redecoration — the homeless and poor occupying luxury hotels while building work takes place. All personal debts *would be declared null and* void.

We would henceforth become known as the Wise Islanders—the inhabitants of Wales, Ireland, Scotland and England united in friendship *and idealism.*

Conservatives pray that the Scots will vote against Doomsday

James Buxton examines the prospects north of the border

IF THE opinion polls are to be believed, the election in Scotland could produce what is known here as Doomsday.

Doomsday means the Conservatives retaining power at Westminster but losing so many votes and parliamentary seats in Scotland that the legitimacy of their rule here is called into question—though what this means in practice is so far unclear.

Though the Tories began the election with their spirits boosted by opinion polls show*ing that they* were at last getting back towards the (admittedly modest) 28 per cent of the poll they won in 1983, they were taken aback by the power and enthusiasm of the Labour campaign.

Tory policies of economic rigour and diminished state intervention are fundamentally unpopular in Scotland, where Mrs Thatcher is seen as the worst possible example of English arrogance.

To make matters worse, the Conservatives have found that that community charge, the flat-rate levy with which they are replacing domestic rates in Scotland, is not as popular—even among Tory voters—than they had hoped.

A System Three poll of Scottish opinion conducted last weekend shows Conservative support at only 21 per cent, Labour 44 per cent, Alliance 19 per cent and the Scottish National Party 15 per cent. A projection on that basis by the SNP computer shows that Labour would end up with 51 of the 72 seats (a gain of 10), the Conservatives would go down from 21 to only eight, the Alliance would take eight (unchanged) and the SNP would have five (a gain of three).

On those figures both Mr George Younger, the Defence Secretary, with a majority of 7,987 in Ayr, and Mr Malcolm Rifkind, the Scottish Secretary, with a majority of 4,309 in Edinburgh Pentlands, would lose their seats to Labour, as would Mr Roy Jenkins, the SDP founder, with a majority of only 1,164 in Glasgow Hillhead.

That reckoning makes no allowance for the personal votes that these leading figures are likely to attract, nor for the fact that the opinion poll showed no less than 18 per cent of the electorate undecided — or "swithering" as it is called here.

Lord Goold, chairman of the party in Scotland, insists that its canvass returns show a much more encouraging picture, and is optimistic that the Tories will on balance hold their position. Political observers expect the outcome to be rather less cataclysmic than the polls suggests.

Even so, the Tories will probably lose to Labour such western Scotland seats as Renfrew West and Inverclyde, Cunninghame North and the seat of Mr Michael Hirst, the party's Scottish vice-chairman, at Strathkelvin and Bearsden, where a constituency poll shows him losilng his 3,700 majority.

	System Three opinion poll June 6 and 7	1983 election percentages	1983 election seats
Labour	44	35	41
Conservative	21	28	22
Alliance	19	25	8
SNP	15	12	2

In Edinburgh three Tory seats are in danger, as well as that of Mr Rifkind. A System Three constituency poll in Edinburgh South showed a large shift from the Alliance to Labour among the opponents of Mr Michael Ancram, the Scottish local government minister, which would annihilate his 3,655 majority

In Edinburgh Central, Sir Alex Fletcher will be lucky to resist Labour's assault on his 2,566 majority. But Lord James Douglas-Hamilton, who last time had the smallest majority in Scotland (only 498) in Edinburgh West could survive because his Liberal challenger may suffer from the swing against the Alliance. If a constituency opinion poll proves correst, Mr Michael Forsyth will lose Stirling, where he had a 5,133 majority.

But the Tories also face a challenge from the SNP, mainly in the north-east of the country where Labour barely features. The SNP hopes to win seven seats from the Tories; the two most vulnerable are Banff and Buchan, where Mr Albert McQuarrie is defending a 937 majority against the strong SNP candidate Mr Alex Salmond, and the neighbouring seat of Moray, where the Tories have a majority of 1,718.

On the other hand, the Tories believe they could actually win seats, at least from the Alliance. One target is Roxburgh and Berwickshire, where the Liberal Mr Archy Kirkwood is defending a 3,396 majority. Another is Gordon in the north-east, where the Liberal majority is only 850, and an assault is being made on Ross, Cromarty and Skye, where Mr Charles Kennedy, the leader of the SDP in Scotland, has a majority of 1,704. In the Western Isles Labour has a chance of gaining a seat from the SNP, now that the long-serving SNP MP Mr Donald Stewart is retiring.

In theory this election has offered Scotland a stark choice. Labour has *promised* to legislate for a creation of a Scottish assembly with tax-raising powers within a year. The Alliance also promises an assembly, but elected by proportional *representation*. The SNP wants a constitutional convention to decide on the future government and status of Scotland. Only the Tories offer no change.

But in reality the election *has been fought* here largely on the same broad issues as in the rest of Britain, and the Scottish assembly has barely been debated. This must reflect the fact that though 41 per cent of those polled recently want an assembly (with a further 29 per cent wanting complete independence), only 3 per cent regard it as a priority.

This lack of an overriding interest in an assembly must take some of the force out of the dire predictions of crisis implied by the word Doomsday. However, Mr Dennis Canavan, the Labour left-winger standing *again for Falkirk, says* Labour should present its devolution bill to parliament irrespective of whether it wins the election, and block other parliamentary business until it gets it passed. *And the SNP also talks of dis*rupting parliament.

At the very least the Conservatives would be acutely embarrassed if election losses left them unable to field a plausible *Scottish Office* ministerial team composed of Scottish MPs. And the question of Scotland would be a major preoccupation for a re-elected Conservative government.

The dissenter's dilemma and how to dodge it

BY MICHAEL DIXON

SINCE this column's readers are obviously familiar with the *facts of working life, you will* all be aware that changing jobs is fraught with pitfalls. But be warned! Even the canniest promotion-hunters often overlook the trap known as the dissenter's dilemma.

It occurs when you are suddenly presented with compelling evidence that the bosses of the bit of the organisation you work for are committed to a destructive mistake, but you have no licensed channel through which to communicate the fact to those above them.

While that trap *has always* lain in wait for anyone doing responsible work and *regularly* claims victims with many years of service, it is particularly dangerous for a newcomer less acquainted with an organisa*tion's political* subtleties. What is more, the dilemma is grow*ing more* treacherous all the time.

Increasingly competitive conditions are fast putting an end to the days when it was safe *to* keep quiet. One serious mistake left to fester can be *enough to scupper* a whole department with all who toil therein, *if not the rest of the* company with it.

Anyone who sees the solution as *going above the immediate* bosses' heads to the top management would do well to read the poem by Kipling which asks: "Friend of my heart, is *it meet or* wise to warn a king of his enemies?" By way of answer, it then tells *of* a young gentleman who tried to do so in *Kabul of all places*. Whereupon he found himself stuck up a peach tree *without any*thing to drink or eat, and no prospect of sleeping except permanently on the bayonets of round-the-clock shifts of soldiers posted beneath.

The results of likewise warning a chief executive may perhaps be less acute. But they are still apt to culminate in the chop.

Worse still

Resigning in protest is likely *to be not only even less effec*tive but more personally damag*ing, as witness a recent study* of 204 unemployed executives by Cranfield *Management School* and the Pauline Hyde and Associates career-recovery service. The average time the 204 took to obtain a new job was 5.7 months. The five who had preferred to go rather than wait *to* be pushed took 9.4.

The only other way out of the *dilemma* that I can think of is to lie low while finding a new job as fast as possible. But for anyone aged much beyond 35 in Britain, at least, that too *is becoming harder*. As I reported three weeks ago, about nine in every 10 UK job advertisements for managers and key specialists now rule out the over 40s.

So the wisest course for those offered promotion is to check carefully before accepting to see that the organisation concerned provides safeguards against impalement on the dissenter's dilemma. The only problem is how.

It just so happens that a clue has lately been supplied by the Spencer Stuart executive-recruitment consultancy in a report on the selection and use of independent—often called non-executive—directors. In *line* with its reputation of hunting high-held heads only, Spencer *Stuart* phrases its comments for reading by chief executives. But *as is so often* the case, the upstairs chat provides downstairs eavesdroppers with useful tips on what to look for.

"*Power* play," the consultancy understates, "is not infrequent *at the top of big com*panies and this is difficult for those working in the company to deal with." Thereafter, however, the report's words become less minced.

It says that *good* independent directors "will sense when things are going too far and take positive action to diffuse too great a concentration of power," and have an especially important role wherever a chairman is also chief executive. Indeed they must even "be prepared to decide when it is time for the boss to step down and be powerful enough to ensure that this happens. . ." Last, but it is to be hoped not least, of the good non-aligneds' duties is to "act as an ear to troubled executives."

Checklist

Of still greater value to lesser beings is the report's descriptions of the sort of people who do *not* make good *independent directors*, which of course can be used as a check*list* when *investigating the* personalities on a prospective employer's board. Those to be avoided, it advises, are:

1—The so-called portfolio director who collects non-executive board seats and makes them a *full-time* occupation. "As a general rule, beware the self-volunteer."

2—Professional advisers to the company such as lawyers and the like, who "cannot always be expected to adopt a *detached view*. Merchant bankers too, in most cases, fall into this category . . . ."

3—Directors of *big* customers or suppliers.

4—Appointments of the you-seat-my-backside-and-I'll-seat-yours type, in which an executive board-member *of one* company becomes a supposedly independent director of another and vice versa.

5—Former managers of the company, particularly if they used to rule the roost. "*Their presence inhibits their successors, especially as many of them have a natural tendency* to resist changes introduced after their departure."

6—Old cronies of the present chairman or chief executive. "This sort of appointment is a contradiction in terms."

7—Retired "*worthies*," whether from business or the public sector, "whose high profile or position in the community is not matched by qualities specifically appropriate to the company."

8—*Anyone who has either* not enough time or too much. *People* who are too busy to take part in informal functions or to stay on after a board meeting for lunch are unlikely to be able to do an adequate job. "On the other hand, an under-employed independent *director who has all the time in* the world may all too often be out of touch, out of date—and in the way."

Even so, quality alone will *not enable the non-aligned to* work effectively. Their quan*tity must also be sufficient*.

A random check by Spencer Stuart on 220 of the biggest *companies, including* 15 august financial concerns, showed that *most of them had at least three* independents who, in overall terms, constituted a quarter of the average board. And that, the report suggests, is about the right weight of representation in all but the smallest companies, always provided that the chairmanship and the chief executive's job are kept separate.

"Where these roles are combined the proportions should be higher—maybe 50 per cent or more is appropriate. Moreover when applying these rules of thumb, only those who are truly independent and genuinely detached should be counted."

A further rule of thumb which the consultancy recommends for application by both individual shareholders and the investment world in general is *that while the resignation of* one non-executive can safely be passed over as coincidence, *if* two or more go it is time for intervention.

As for job-candidates wishing to avoid the dissenter's dilemma, the wisest rule to adopt is probably that if the board of the company making an offer does not include at least three genuine independents, *the only place for it is* the waste bin.

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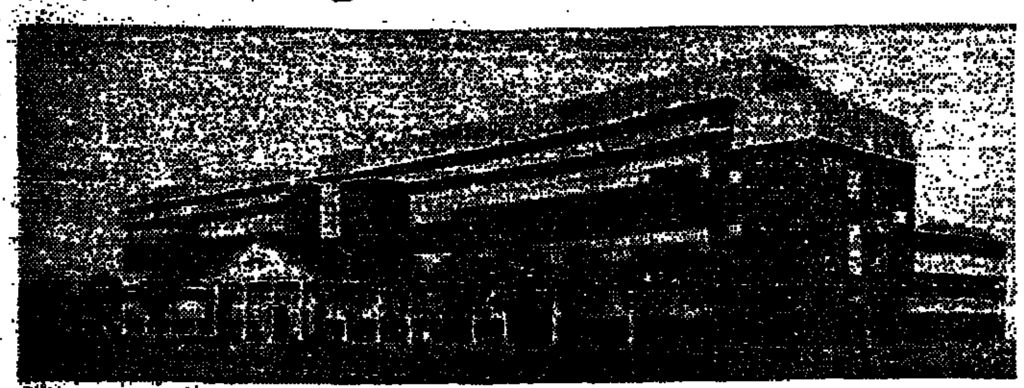
CONSTRUCTION CONTRACTS

Brent magistrates' court



Last week a foundation stone was laid to commemorate the start of an £8m scheme to provide new magistrates' courts and offices for the probation services in the London Borough of Brent. The management contract was awarded to Trollope & Colls Management, a Trafalgar House company, by the borough after Home Office approval was given to the scheme in September 1986.

The new three-storey courthouse will be built in a prominent position at the junction of Church Road and High Road in Willesden. It will provide 10 fully air-conditioned magistrates' courts in a brick-clad reinforced concrete frame on piled foundations.

With Trollope & Colls appointment an integrated design and management team was set up on site. This resulted in the acceleration and integration of the design and construction activities with works on site commencing in November 1986—ahead of schedule. It is planned that the new courthouse will be completed for hearings to begin in June 1989.

Scottish sewage schemes

NORWEST HOLST has started work on two sewage treatment contracts in Scotland worth £3.7m. The treatment works at Pathheads - Sands, Kirkcaldy, worth £2.5m and Barassie pumping station in Ayrshire totalling £1.25m are being carried out for Fife and Strathclyde Regional Councils with contract lengths of 90 weeks and one year respectively. The works at Kirkcaldy involves the construction of a sewage treatment works prior to discharge through an existing long sea outfall.

At Barassie, Norwest Holst is to construct the pumping station, associated superstructure and roadworks. Also included is a 22 metre long, 1050 mm diameter thrust bore under the Glasgow to Ayr railway line and 2500 metres of reinforced concrete and ductile iron sewers and pumping mains ranging in diameter from 400-1050 mm together with associated manholes.

Norwest Holst Project Services has secured two design and construct car park contracts in *Leamington Spa and Hemel* Hempstead totalling £3.1m. The Hemel Hempstead Watergardens contract, worth £1.6m, involves a seven-month construction period with completion scheduled for January. The two-storey building—with a plan area of 208 metres long and 34 metres deep—will provide 642 car spaces for The Commission for New Towns and Dacorum *District* Council.

Leamington Spa's Bedford Street car park has been specifically designed so that the building's brickwork fascade blends in with adjacent buildings. The insitu reinforced concrete structure will provide space for 406 cars on 10 staggered deck levels and feature elevations incorporating arched openings.

Shopping complex at Kendal

BOVIS CONSTRUCTION has been awarded a management contract by Shearwater Property Holdings to build a £7m shopping centre complex in Kendal. The shopping centre will be built on two interlinking levels with each retail unit opening on to pedestrian walkways which will be naturally illuminated through a glazed roof. The walkways will also include "courts" and be accessible to the disabled. The centre will be closely integrated with the surrounding buildings. Part of the multi-storey car park will be demolished *to provide more space for* the shopping centre whilst the nearby bus station will be demolished to provide an area for the construction of a new multi-storey car park and bus station on ground level. The two interlinked multi-storey car parks will provide spaces for 729 cars. Work on the 123,000 sq ft complex will be completed by autumn 1988.

Adult care facility in Canada

A £9m ($15m) contract to build a new adult care facility in Canada has been awarded by the Municipality of Metro *Toronto* to TAYLOR WOODROW CONSTRUCTION CANADA, locally-based subsidiary of Taylor Woodrow Construction Corp, of New York. Work on the five-storey building, which is next to Toronto's Centenary *Hospital*, has started and is due for completion in July 1988. The 160,000-sq-ft home, which is crucifix-shaped in plan, will provide 250 beds for the elderly and will be linked to the hospital. The structure will have poured concrete foundations, a reinforced concrete frame, brick-faced exterior walls and concrete floors and roof. The contract includes the installation of three lifts and heating, ventilation and air-conditioning services.

★

A £1m plus refurbishment contract in Newcastle upon Tyne brings to £7.5m the value of public-sector housing refurbishment projects won in the region within the past year by FAIRCLOUGH BUILDING'S eastern division. The latest award—from Newcastle City *Council*—is for converting six three-storey maisonette blocks in Newlyn Road, North Kenton, into 42 two-storey houses.

Spread of work for Wimpey

WIMPEY CONSTRUCTION UK a subsidiary of George Wimpey, has been awarded work worth nearly £9m. The pedestrianisation of Ilford High Road (phase 4) for the London Borough of Redbridge is to be carried out under a £1.5m contract. Work *includes* new block-paving, kerbs and channels to the full site area; associated street furniture and fittings; canopies, steel arches, clock tower, new street lighting and drainage works. The project is due for completion in October and the *client*, London Borough of Redbridge, is responsible for the architectural services.

At Woodside Estate, Dunstable, the construction of a block containing two warehouse units is being carried out for Brixton Estate. Valued at nearly £1m, the contract is due for completion in July. Construction is of steel frame with part-cavity/block walls and part-metal cladding with *metal sheet roofing*.

Contracts worth nearly £4.5m have been received from the Milton Keynes Development Corporation, Luton Borough Council and Ipswich Borough Council for *local authority* housing and refurbishment schemes.

At Milton Keynes, Wimpey is building 83 traditional brick houses under a £2m design-and-build contract awarded by the Development Corporation. Completion is scheduled for June 1988. The design of the houses is being carried out on behalf of Wimpey by E. H. Inskip & Son of Bedford.

Under a £1.4m contract, the company will build 12 two-bedroom, 40 three-bedroom and four four-bedroom houses at Lewsey Park, Luton. They will be in 16 blocks of traditional brick/block cavity wall construction with pitched roofing. The contract is due for completion in March 1988. The client, Luton Borough Council, is responsible for the architectural and quantity surveying services.

At Ipswich, Wimpey is working on a £875,000 contract for the refurbishment of 306 council dwellings. The work includes the replacement of windows, roofing and rainwater goods, rebuilding chimneys, repointing brickwork and repairs to rendering and canopies. The client, Ipswich Borough Council, is providing the architectural services and the contract is due for completion in November. Another contract, valued at about £200,000, has been awarded by the Borough Council for the renewal of windows in 147 dwellings on a number of estates throughout the town.

Letters to the Editor

No squeeze in potatoes

From Mr W. J. Englebright,

Sir, — The potato futures market should be investigated, says Mr McLeod (May 26). Why, because the futures market prices, particularly in April, were considered to be too high, ie closing at £166? What nonsense, whoever heard of any producer complaining because the price was "at a premium" unless, of course, he has oversold.

Mr McLeod is right, the AFBD and the Bank of England saw the figures for the April delivery month and yes, there was no evidence whatsoever of a squeeze. Indeed, anybody who visited the market would have seen a very fluid situation with willing buyers and sellers trading volumes totalling in excess of 1,500 lots a day.

It is totally wrong to equate the published average ex-farm PMB price with the futures price (which reflects 13 stated varieties), delivered from a registered store based on potatoes with a 5 per cent maximum fault content. Indeed, our literature, in examples of hedging, states clearly that there will be a difference between the cash and futures price, which will reflect the difference in costs incurred from ex-farm potatoes to those delivered ex an approved futures store. Furthermore, it is also made clear that these costs will vary from area to area.

Some Dutch potatoes were imported to meet the requirements of buyers (Mr McLeod chooses to call them speculators). The inescapable question is why did not more producers deliver a greater quantity of potatoes against open sales in one or more of the 218 registered stores?

The suggestion that an advisory committee from the potato trade be appointed to guide the management committee is an insult. Mr McLeod is perfectly aware that on the management committee there are three experienced members from the merchanting side in addition, two farmers and one processor, the latter is currently chairman of the association.

I take exception to the suggestion that there is a small group in the City out to destroy the potatoe trade. I can assure Mr McLeod that no such group exists.

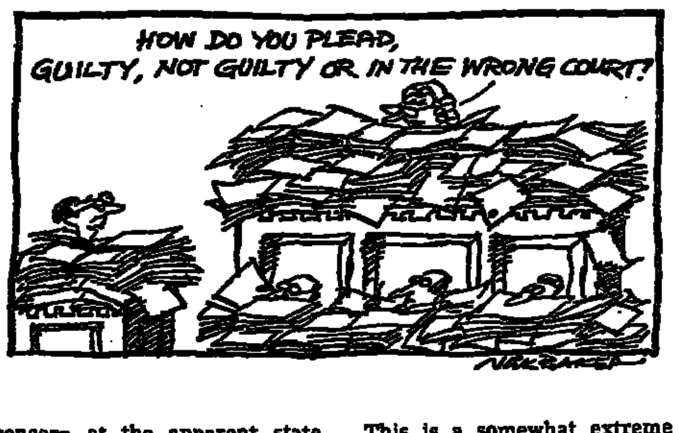
Indeed, we are proposing to allow deliveries throughout the whole of a delivery month. Currently deliveries only take place from the close of business on the 10th. This will give greater flexibility to those sellers who choose to effect delivery. To deliver or receive must, in a physical market, remain the preprogative of the seller and the buyer.

W. J. Englebright.
London Potato Futures Association,
24-28 St Mary Axe, EC3

Chaos in the courts

From Mr J. W. W. Huntrods.

Sir,—My firm is engaged in the business of collecting commercial debts by litigation. I write to express my increasing concern at the apparent state of near chaos which appears to have afflicted the County Courts for some time.



We recently received a letter from one of the London courts stating that: "Due to the volume of work dealt with by this court, the preparation and despatch of summonses is presently taking up to five weeks. Notice of service will be sent to you in the usual form when the summonses are posted to the defendants. If you do not receive a notice of service within six weeks after the issue date, please do not hesitate to contact the court . . . ."

This is a somewhat extreme example, but we find that it is not unusual for three weeks or more to elapse between lodging the request at the court office and the issue of proceedings.

We have suffered inordinate delays through the loss of files in court offices and in two cases have had to reconstruct, for the benefit of the courts concerned, their own files. It would be pointless to multiply examples, but suffice it to say that from our experience there are signs that the County Court offices are not far from breakdown.

We believe that the main cause of the trouble is shortage of staff, and we suspect that the courts are not allowed to recruit sufficient staff to deal with today's volume of work. We have also been told that staff turnover is so rapid that some offices are working with half-trained clerks. If these conditions are allowed to persist we would expect that eventually the whole system of civil litigation will grind to a halt.

It also seems that certain undesirable revisions to the insolvency proceedings have resulted purely and simply from a desire to save work for the court offices. For example, the substitution of statutory demands (which replace the old Bankruptcy Notice): such demands may be sent by post to judgment debtors, and a bankruptcy petition filed after 21 days. This leaves it open to judgment debtors to deny receipt of the statutory demands and thus to frustrate bankruptcy petitions. Therefore, it is necessary for statutory demands to be served personally by a process server and supported by an affidavit of service.

J. W. W. Huntrods,
Midlands Commercial Services,
6 College Street,
Northampton.

Channel tunnel shotgun marriage faces some technical problems

From Mr R. Bonwit

Sir,—The shotgun marriage between bankers, construction entrepreneurs and French and British railways should be an occasion for a fresh look at the issues involved. It is, for instance absurd to hail the Channel tunnel project as "unprecedented" and as the biggest of its kind. The Japanese rail tunnel underneath the Tsugaru Straits between the rail networks on their main island and on Hokkaido is almost identical with that projected between Cheriton and Sangatte.

The loading gauge problem is still with us; it cannot be sidestepped by limiting passenger train transit through the tunnel to rolling stock built to the BR loading gauge which allows, above rail, only ¾ of the volume of the European Berne standard loading gauge. The standard track gauge is identical on both sides of the Channel. One could run a few purpose-built BR-gauge sets, fitted with both pantographs and third-rail shoes, between central London and north Paris; but to impose these "toy trains" in vast numbers on the expanding Continental rapid transit system would not be feasible. The rail freight problem will be eased by the growing use of containers, which can be easily transferred between road and rail — and between flat wagons built to different loading gauges.

The Japanese financed the Seikan tunnel without recourse to foreign financial interests. In fact, they traded costs for time by extending the tunnel construction period over some 15 years. This allowed them to deal at leisure with some major problems affecting the Tokyo-Sapporo rail axis. Shortly after 1978, they solved the problem of how to extend the new Shinkansen lines into central Tokyo; and recently they began the extension of the north-east Shinkansen beyond its terminal at Morioka to Aomori and the Seikan tunnel. An important purpose of the Seikan tunnel is to ease congestion of the Tokyo area air traffic space by encouraging a large-scale change of passenger traffic from air to rail.

This should be the governing consideration for the Channel tunnel project. It should provide for frequent and direct rail services between southern England and an area encompassing Paris, Lyon, Brussels, Cologne, Düsseldorf and Frankfurt, within a potential perimeter of 4 hours' real travelling time; for less urgent travel, the perimeter might be extended to include Marseilles, Bordeaux, Hamburg and Stuttgart. There appears to be no other way to curb air traffic congestion in and over greater London. This is really a political issue, since it concerns the public's willingness to consent to a drastic increase in overflights.

A practical way to solve the "loading gauge gap" would be to extend the Berne gauge and 25kv catenaries beyond the tunnel as far inland as a freight transfer and passenger terminal station near Redhill by modifying the double-track Folkestone - Edenbridge - Redhill line. This would permit very high speeds over practically half the distance between tunnel and central London. The passenger terminal could be situated athwart the London-Gatwick-Brighton line, which would provide ready and speedy access to central London. A second tunnel through the Reigate Downs would give direct access to London Bridge and the cross-London rail tunnel now nearing completion.

Freight could use most lines to and through London at night, while the double-track line to Reading via Guildford would provide ready routes to and from south Wales, Bristol and the west Midlands. For transfer of freight or passengers between road and rail, the nearest M25 exit would be only a few miles away.

The needs of long-distance rail services through the tunnel should not be pre-empted by the proposed reservation of half the available timetable space for a rail shuttle service for cars and lorries; the time gain against sea ferry crossings has been estimated at no more than 30 minutes, of little significance for a lorry trip of several hundred miles; Many car owners may prefer to use car-sleeper trains, or their daytime equivalent, if they can reach their terminal via the M25. It is doubtful, whether relatively highly priced shuttle services could survive fare competition by the ferries. Travel through the tunnel will be rendered unnecessarily costly for passengers because of the need of the operators to contribute heavily to the profits expected by domestic and foreign investors.

It is curious that not much consideration was given to the possibility of letting a major European rail link be financed by all the railway administrations directly or indirectly concerned. Existing regulations provide for EC contributions to projects required to eliminate technological hindrances to inter-European traffic; the loading gauge gap clearly falls under this heading. Instead of increasing rail charges by a special levy to provide for profit charges levied by investors, tunnel traffic should be included in the long-distance taper generally applied to Continental rail fares.

Ralf Bonwit.
Sorby,
Kiln Lane,
Binfield Heath,
Henley-on-Thames, Oxon.

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City

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We are confident we can offer a salary to attract the person we need and we can certainly offer a wide range of benefits and excellent prospects for progression to senior positions.

Please telephone for an application form or send a full CV quoting reference No. 38/87 to: Jane Martin, Shell International Petroleum Co. Ltd, Recruitment Division, PNEL/231, Shell Centre, London SE1 7NA. Tel: 01-934 6966.

Shell

WILLIAMS DE BROE

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For further details, please send your career details, in the strictest confidence, to: Doug Wilkins, Personnel Manager, Legal & General Assurance Society Ltd, 2 Montefiore Road, Hove, East Sussex BN3 1SE. Interviews will be held in London.

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To apply, write in confidence, with full c.v. to:
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If you would be interested in an initial discussion, please contact our office, or send us a copy of your current CV. All applicants will be treated in the strictest confidence.

Please call Jasmine Walker at:
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01-929 1212
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We are currently expanding our research department and are looking for analysts with at least 12 months experience preferably in a specific industry sector. The successful applicant would join a well established department the profitability of which has increased steadily since big bang. A contribution to the profits of the department will be suitably rewarded.

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c£50k + Benefits

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The ideal candidate will have at least ten years' relevant portfolio management experience who now feels ready to take on direct responsibility for an increasingly large client base. A working knowledge of a European language will be advantageous.

Please contact *Maria Frangoulis*

18, Eldon Street, Moorgate, London EC2M 7LA. Tel: 01-588 4224

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All applications will be treated in the strictest confidence and should be addressed to Peter Latham at 11, Eastcheap, London EC3M 1BN. Telephone 01-929 4689.

ECCO
BANKING & FINANCIAL APPOINTMENTS
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BANKING

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For further information or to apply please contact Nicola Ogilvie on 01-222 7766 or alternatively in writing at the address below quoting reference number NM0888.

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To succeed, the Manager will need to be professionally qualified, possess well developed communication and interpersonal skills and have made a proved contribution as a manager to training with an organisation in the Finance/Banking sector. A broad range of management skills including budgetary control will be required together with a high degree of self motivation.

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Self-motivated candidates with the tact, flexibility and adaptability to work in a multi cultural environment, should submit their applications not later than 17-6-1987 to:

**The Chief Manager
London Branch, Temple Court
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JULY 8 1987

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(In RECEIVERSHIP)
REGISTERED NO. 1636389

Trading Address and Registered Office:
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London EC2A 3QE

NOTICE IS HEREBY GIVEN pursuant to Section 48 of the Insolvency Act 1986, that a meeting of creditors of the above company will be held at the Bonnington Hotel, Southampton Row, London, WC1, at 11 o'clock in the forenoon on 24 June 1987.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Creditors whose claims are partially secured should deduct the value of their security from their total claim and they will only be allowed to vote on the unsecured portion of their claim.

Creditors should note that the Joint Administrative Receivers can call for any document or other evidence to be produced to substantiate their claim.

Dated 5 June 1987.

M. C. WITHALL,
Joint Administrative Receiver.

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Company Notices

NOTICE OF PREPAYMENT

CNT

Caisse Nationale des Télécommunications

**FF8¾% Series B Bonds due 1996
resulting from the Exchange of
FF Adjustable Rate Series A Bonds due 1996
issued on May 14, 1986**

**unconditionally guaranteed by
The Republic of France**

In accordance with paragraph "Prepayment at the option of CNT" of the Terms and Conditions of the Series B Bonds, notice is hereby given that CNT will prepay, on July 31, 1987 the total amount of the Series B Bonds (i.e. FF14,050,000) at 101% of their principal amount together with accrued interest (i.e. FF173.78 per nominal FF10,000) from May 14, 1987 to the date of redemption.

Payment of principal, interest and premium, being effected prior to the issuance of definitive Bonds and coupons, will be made in accordance with paragraph "Payments" of the Terms and Conditions of the Series B Bonds.

Interest will cease to accrue on the Series B Bonds as from July 31, 1987.

Luxembourg, June 10, 1987

The Fiscal Agent:
KREDIETBANK
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ELDERS (UK) PLC

**£85,000,000
7% Subordinated Convertible Bonds due 1997
and
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5% Subordinated Convertible Bonds due 1997**

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ELDERS IXL LIMITED

Notice is hereby given that following a one for seven bonus issue of Ordinary Shares by Elders IXL Limited on 30th April, 1987 the conversion price for each of the conversion Bonds is to be adjusted to Australian Dollars 4.46 per Ordinary Share with effect from 30th April 1987.

June 10, 1987

ELDERS (UK) PLC

**£40,000,000
8% Subordinated Convertible Bonds due 1998
and
US$175,000,000
5¼% Subordinated Convertible Bonds due 1998**

Unconditionally guaranteed on a subordinated basis by, with non-detachable subordinated conversion Bonds issued by, and with conversion rights into Ordinary Shares of

ELDERS IXL LIMITED

Notice is hereby given that following a one for seven bonus issue of Ordinary Shares by Elders IXL Limited on 30th April, 1987 the conversion price for each of the conversion Bonds is to be adjusted to Australian Dollars 3.80 per Ordinary Share with effect from 30th April, 1987.

June 10, 1987

PROVINCE OF NEWFOUNDLAND (CANADA)

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1978/1990 Bonds**

Pursuant to the provisions of the Purchase Fund, notice is hereby given to Bondholders that no Bonds have been purchased for the Purchase Fund during the twelve-month period commencing June 1, 1986.

Amount outstanding:
US$41,643,000

Province of Newfoundland
(Canada)

June 10 1987

NOTICE OF PREPAYMENT

THE MITSUI BANK, LIMITED, LONDON BRANCH

(Incorporated with Limited Liability in Japan)
US$30,000,000
Negotiable Floating Rate Certificates of Deposit
No. 037001-037005 and
No. 036026-036050
Issued on 16th July, 1984
Maturity 18th July, 1988
callable in July, 1987

Notice is hereby given in accordance with the conditions of the above Certificates of Deposit (the "Certificates") as printed on the reverse of the Certificates, that The Mitsui Bank, Limited (the "Bank") will prepay all outstanding Certificates on 16th July, 1987 (the "Prepayment Date") at their principal amount.

Payment of the principal amount, together with accrued interest to the Prepayment Date, will be made on the Prepayment Date against presentation and surrender of the Certificates at the London Branch of the Bank at 34-35 King Street, London EC2V 8ES.

Interest will cease to accrue on the Certificates on the Prepayment Date.

By MITSUI FINANCE INTERNATIONAL LIMITED
Agent Bank

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN PIONEER ELECTRONIC CORPORATION

We are pleased to announce that copies of The 41st Semi-Annual Business Report for the six months period ended 31st March, 1987, of Pioneer Electronic Corporation are now available to EDR Holders, upon application, to The Bank of Tokyo, Ltd., 20/24 Moorgate, London, EC2R 6DH, and the Agent, The Bank of Tokyo (Luxembourg) S.A., 22/24 Boulevard Royal, Luxembourg.

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10th June 1987

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Contracts and Tenders

ANNOUNCEMENT FROM

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1—Announcement is hereby made for the following project included in "CAPACITY IMPROVEMENT AND MODERNISATION PROJECT" at the integrated steel plant of Eregli Demir Ve Celik Fabrikalarih T.A.S. located at Kdz. Eregli-Turkey. The project is aimed to increase production, improve product quality and reduce production costs and energy consumption, including general and detailed engineering services and fabrication.

REHABILITATION OF HOT STRIP MILL NO. 1 (STECKELMILL)

2—Tender documents for this inquiry may be obtained from the following address after depositing 600,000 Turkish lira to our cashier's office and the evidencing document is submitted to:

Vice-President Purchasing
Foreign Purchases Department
Kdz. Eregli/Turkey.

3—Bid deadline for the tender is September 15, 1987 and no sealed bids shall be taken into consideration for evaluation if submitted to our above-mentioned company address after the said date.

4—Our company reserves the right to place the order either partially or completely with any bidder or to cancel the tender completely. The receipt of quotation shall in no way be binding upon our company.

5—As the finance source, either SUPPLIER'S CREDIT or any credit in foreign currency to be provided by Erdemir shall be utilised.

6—During the bidder's qualification, following points shall be taken into consideration:

(a) Bidders must have adequate experience for the establishment and/or modernisation of hot strip mill facilities (particularly the Steckel Mill). If the bidder is a trading company, the bids must be submitted together with another technical sub-supplier whose qualifications meet the above-mentioned requirements.

(b) The sub-suppliers so selected by the bidders must be well experienced companies for overhead crane, roll grinder and automatic scarfing systems.

Product strategy

Why Loewe is set on a premium path

Terry Dodsworth reports on the West German TV manufacturer

EVERYONE IN Europe is familiar by now with high-specification, high-priced, high-quality West German motor cars. But can the same strategy be applied to television sets on a pan-European scale?

This is the challenge that has been taken up by Loewe, a small-scale German TV producer, which is now stepping up its export drive from its remote location at Kronach in south western Bavaria.

Loewe makes only 215,000 sets a year, a production rate which would normally be regarded as suicidal in an industry noted for large volumes and continuously declining production costs.

Most manufacturers argue that an output of about 1m TVs a year is essential to achieve appropriate economies of scale for what is essentially a mass-market product. But Loewe has made its premium product strategy work so far in Germany, and to a lesser extent in nearby foreign markets, by concentrating its attention closely on the narrow niche for sets priced at between £450 a unit and £1,900.

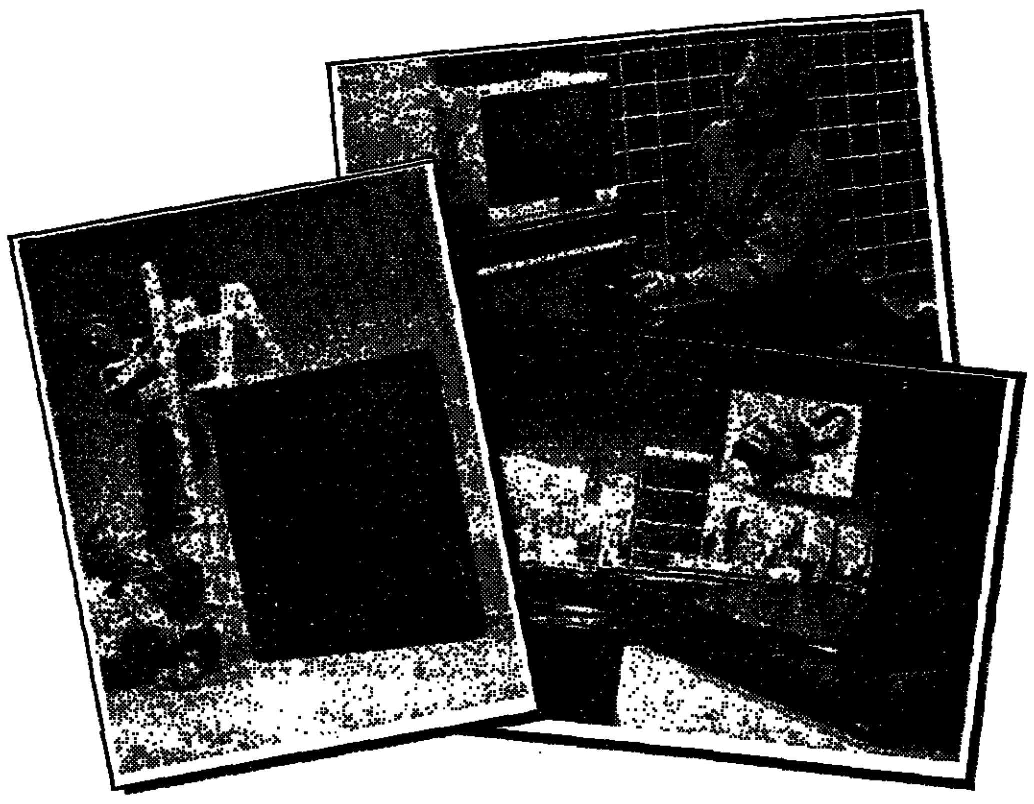
"A company in this business should be either big or small," says Helmut Ricke, chairman of the board at Ricke. "Where it is really difficult to make money is in the middle, when you are not big enough or specialised enough either."

Ricke heads a small group of senior executives who together took Loewe private a couple of years ago in one of Germany's rare management buyouts. The acquisition, made with the help of a group of banks, a venture capital organisation and the BMW car company, one of Bavaria's principal manufacturing concerns, became something of a cause celebre at the time, because it followed the exposure of hitherto secret shareholdings *in the company* by Philips, the Dutch consumer electronics group.

Philips, then in the process of increasing its stake in West Germany's Grundig, was forced to shed its holding in Loewe by the West German Cartel Office.

Ricke says that the change of ownership has not brought *about any significant alterations* in market strategy. Philips never interfered with policy, he says, because it did not want to expose the amount of its ownership—the Dutch company had officially declared a 15 per cent stake, but had held effective financial control through other nominee holdings. The buyout has, however, been followed by a significant expansion of the product range, which starts at portable sets with 10 inch screens, and runs all the way up to large stand-alone 32 inch models.

Loewe regards the design of its models as one of the key elements in their appeal. The cabinets, made in moulded *plastic, are offered in black,* red or grey in the latest range, and look much sleeker than the average television set. They are all supplied with remote controls, so the exterior is uncluttered with knobs and switches. All the sets can also be used as monitors for personal computers, and several have integrated video-cassette decks. Most of the models can also be tilted through a 10-degree angle.



Among Loewe's premium products: (left) an 82 cm set in its latest Art Line range, with an integrated VCR in the base; (top) a 40 cm Black and White—the colour of the cabinets—model; and a digital VCR *with special effects such as "screen within a screen" facility*

West Germany's reputation for quality products also helps in the market, the company believes. Like most television manufacturers, Loewe buys in tubes from specialist suppliers, but it designs and makes the main electronic parts which form the heart of a television set, and assembles all of its *own products at Kronach.*

Despite its limited size, the company has managed so far to stay with the industry's leaders technologically. Indeed, its latest range of models, to be introduced in the autumn, will all be able to receive and decode television transmissions digitally. While the rest of the industry is moving in the same direction, Loewe will be among the first with the new system—a technology that gives sharper picture definition, and which will allow the new televisions to be used in any country, whatever the type of broadcasting system employed.

"You will be able to take your television from the UK to France or to Italy, and the only thing you will have to change is the plug," says Tony Vernon, *sales manager for the British* subsidiary. At present, a UK television tuned to work on the British PAL 1 system only works outside the country in Hong Kong.

Maintaining a strong technological position is one of the elements in Loewe's future strategy for staying afloat in an industry awash with capacity. The company will continue, says Ricke, for a company *of its size to invest heavily in* research and development. Spending on R&D last year amounted to about 5.5 per cent of its DM 309m (£106.6m) sales, and it intends to expand its research staff from 120 people at present to 180 by 1990. A further DM 5m is going into a new research establishment this year—along with DM 20m in new plant—and about the same in 1988.

Limited assistance with this expenditure comes from the West German Government, which has contributed about 5 per cent of total research spending over the last few years for Loewe's work on the country's viewdata systems. But most of the funds have been found by the company itself, and Ricke says that it will continue to generate sufficient cash to meet its plans up to the end of this decade, despite the strain on cash flow from debt financing for the management buyout.

"*After that,* we may need additional finance, and we shall probably go public," he adds. Profits are around 3 per cent of sales at present.

The second strand in Loewe's expansion programme is to move *more aggressively into* markets. At present, about 60 per cent of the group's unit sales are in West Germany, a level at which it is becoming progressively more difficult to increase market penetration with its narrow *product line.* Export sales in some foreign markets, such as Italy, Austria and Switzerland, are already reasonably well developed. But Loewe is now pushing out further, bringing the UK in particular into its sights—with some trepidation.

"We have to be in the UK market because it *is* the most important in Europe for televisions and video cassette recorders—bigger than West Germany or Italy," says Ricke. "But Britain is also the most difficult market in the region because it is highly competitive, with a large variety of products and fierce price cutting."

After launching its own UK sales company in 1985—until then Loewe had used a *distributor—the group's sales* jumped from 2,500 to 7,500 last year. Vernon expects further growth this year to 10,000 units, helped by the new product line, and is confident that there is plenty of latent demand in the UK. The televisions are sold through up-market stores such as Harrods, independent *retailers, and some television* hire outlets.

"No-one knows how big the market is for these top specification products," he says, "but my guess is that it could be between 5 to 7 per cent of total sales." This would amount to between 150,000 and 200,000 sets a year, theoretically an *attainable target over time* given that Loewe sells more than 100,000 a year in West Germany.

Whether it can achieve this target while maintaining its normal margins, all the more necessary in the wake of the buyout, will be an iron test for its strategy.

GKN board responsibilities

Sharpening the definition

BY MICHAEL SKAPINKER

IN AN INTERVIEW published on this page last March, Sir *Trevor Holdsworth, chairman of* GKN, wondered aloud whether he had got things right.

Would his successor abandon the UK industrial group's mix of manufacturing and service activities and concentrate *instead on only one of those* areas?

Apparently not. David Lees, who became group managing director on June 1 and who takes over as chairman next May, is standing by the existing *mix of businesses.* But he clearly intends to give each of them a sharper definition and a more focused leadership, as evidenced by a reshuffle of board responsibilities announced last week.

When Holdsworth became chairman seven years ago, he sold off or shut down GKN's traditional businesses — the manufacture of nuts, bolts and screws—and put the group's steel interests into a joint venture with the British Steel Corporation.

GKN today concentrates on producing high-tech automotive components on the one hand, and a range of industrial services on the other. The industrial services include scaffolding, specialist foundations, pallet pools, and the distribution *of automotive parts.*

As Holdsworth observed, manufacturing and industrial services have vastly different cultures. The level of investment in GKN's component manufacturing is far higher than in its industrial services. The components business has only a handful of customers, the major automobile manufacturers. GKN's industrial services have thousands of different buyers. Hence Holdsworth's question about how *well* the two sides of the business go together.

To Lees, this diversity is a positive advantage. The various sides of GKN's business complement each other, he claims. "If you look at the profitability of the automotive business, the lion's share is outside the UK," *he says.* "In the services business, the lion's share is in the UK. Their markets are also different. The services tend to focus on national markets, the automotive on international markets. That gives us a bit *of balance. They respond to* different economic cycles.

"I see the compatibility in fiscal terms. I don't have a concern, frankly, that the cultures are different—provided we're prepared to manage them in recognition of their differences."

The changes made to the GKN board are part of that recognition, he says. All of the automotive manufacturing activities, are to be grouped under one managing director, Trevor Bonner. Bonner was previously *responsible only for the manufacture of transmissions,* primarily constant velocity joints, which are used in the making *of front-wheel drive vehicles.*

Similarly, John Jessop remains responsible for industrial services, but is now given the title of managing director to go along with it. Lees hopes this will give industrial services a higher profile.

"The automotive side has tended to be the largest and perhaps had a disproportionately strong focus. By pulling out industrial services in this way I'm keen to give it the focus it deserves," he says.

Automotive components other than transmissions had been the responsibility of Alec Daly, *who was also in charge of* GKN's defence business. He now becomes managing director for defence. This is a sector which Lees is keen to develop. In 1985 the company won a Ministry of Defence contract for 1,048 Warrior armoured personnel carriers. It lost out to British Aerospace in its bid this year to buy Royal Ordnance, but Lees is on the lookout for other acquisitions or joint ventures.

The GKN board also acquires its first human resources director, Brian Insch. By giving human resources a higher priority, Lees wants to attract some of the talent now heading for the City, both through financial incentives and high quality training. "That means moving them around the group. I have to say it means streaming. It means picking people early on and giving them experience."

Although there might be some differences of emphasis, Lees says he has Holdsworth's backing for his strategy. "He clearly shares my view. The alternative would have been to do this in a year's time."

Management abstracts

Diffusion models to forecast new consumer products. W. S. *Sachs in The Journal of* Business Forecasting (US), Autumn 1986 (3½ pages)

Discusses the role played by such factors as the trial rate and the repeat purchase rate in the sales curve of a new new product; outlines how factors such as these are being built into forecasters' models *for new products;* describes some of the most *popular* models.

Showroom design: J. Burney in The Architects' Journal (UK), Jan 21 1987 (8 pages)

This is the industrial unit used by a Japanese company, Amada, to show off its machine tools. Complete with a restuarant and a plaza, where the machinery is displayed, the article touches on how Japanese practices are at play in the company's open management styles, but basically the emphasis is on the architectural considerations. Provides a good deal of illustration and shows—in drawing format—the plant layout.

Valuing an entrepreneur's sweat and skill. B. Dixon plus B. Pricer in Accountants' Journal (*New Zealand*), Oct 86 (1½ pages)

Sets out a method to measure the value of an entrepreneur's contribution of abilities, energy, ideas, time and talent to ensure the success of a new business, so that the appropriate equity share can be given. The method involves valuing the future business, discounting backwards at the venture capitalist's required rate of return, and finding what proportion the original monetary investment bears in relation to this present value.

Sick-building syndrome. R. Steyer in Across the Board (US), Dec 86 (8 pages)

Examines some all-too-common causes of office sickness. Covers pollutants, such as tobacco smoke, and their effects; notes that management often—unwisely—cuts back on expenditure on heating, ventilation, and air conditioning; looks at a growing trend to litigation on behalf of people affected by workplace pollution—and graphically shows the kind of crud that can exist in air ducts.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p + p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

Rossini in London . . .

Il viaggio a Reims at the Guildhall School on Monday was a happy experience — indeed, it is likely to leave one London Rossinian with a blissful smile on his face for days afterwards. An unknown, rediscovered work of worthwhile quality is always rewarding; but this is a rediscovered masterpiece — and by Rossini, at that.

In brief, this *cantata scenica*, an occasional piece that Rossini composed to chime with the coronation of Charles X in 1825, faded in public interest after its particular circumstances of historical importance were thought to have elapsed; much of the best music went into *Le Comte Ory*, and eventually *Il viaggio* was presumed lost. In the 1970s it was rediscovered, and, where necessary, reconstructed. The first performance in modern times followed, at Pesaro in 1984 (Andrew Porter reported in full on the event in these columns), and a prize-winning DG recording soon afterwards.

Now, the Guildhall School, whose opera department is attaining new glories under Anthony Besch's directorship, has come up with the British premiere, in the sparkling, extremely deft Porter translation. In one respect, a student performance, however, accomplished, might be thought a betrayal of the work's very nature — for the opera was created for 10 of the Italian vocal virtuosos of Rossini's day (and the minor parts are not to be scorned either): Giuditta Pasta (the first Norma) and Domenico Donzelli (the first Pollione) were only two of a glittering assembly of leading sopranos, tenors, basses and a single contralto.

Yet, because there was no serious weakness among Monday's cast, the charm, richness, and fabulous skilfulness of the music could be potently conveyed. More than that, the performance seemed to assert that the opera is both occasional—particular and relevent to a single set of historical circumstancese—and universal. Rossini at his most ravishingly beautiful becomes the poet of an Arcadian idyll; the thread of melancholy that darts through his best music suggests the fragility of that Arcadian dream. The various national parties in the opera gather to create a fantasy of peace, harmony, and reconciliation; it's not just because the return of the French monarchy proved not to fulfil it that more than one delicate beam of irony filters out from a modern revival of *Il viaggio a Reims*.

Besch's staging — he is a master Rossinian, as those who loved his Sadler's Wells *Ory* and *Thieving Magpie* know well — is brim-full of delicate, erudite irony, of delicious comic touches (there is farce but no inelegance), of musical sensitivity: in spite of minor flusters I thought this one of the most accomplished student productions I have ever attended.

Under Howard Williams the orchestra revel in the virtuosity that was lavished no less on the instrumental than on the vocal writing: the music breathes, and sounds wonderfully graceful. Of the 10 principals I would single out the aristocratic painter of Michael Forest (a warm, well-knit lyric tenor) and the inn-patroness of Juliet Booth (a lustrous lyric soprano); but the mezzo Gunvor Nilsson and the baritones Roberto Salvatori and Simon Tunkin showed special promise. Three more performances, tonight, Friday and Monday.

Max Loppert

. . . and in Bonn

What a pleasure to immerse oneself again in the world of German opera, where the cities give proud and prominent place to the opera houses, as a matter of course. However, scanning the lists I notice that the repertory in the Federal Republic is not as wide and enterprising as it was in the fifties when I worked there. Then there was a feeling of release, of curiosity and experiment. Now, widening audiences and rising costs dictate more caution. Yet the Rhineland, where there is surely a greater concentration of municipal opera houses than anywhere else, has been offering one after the other three new productions difficult to resist—Rossini's *Armida* in Bonn, Janáček's *Cunning little vixen* at Cologne, Weber's *Oberon* at Düsseldorf. (Janáček and Weber must wait for a second article).

Armida is a three-act *opera seria* written for Naples and for Isabella Colbran, the singer who became Rossini's first wife. It came out in 1817, the year of *La cenerentola* and *La gazza ladra*. Because of the complex orchestral writing it was judged too "German" (it didn't sound "German" at Bonn, within a stone's throw of Beethoven's birthplace). *Armida* did not travel so widely or stay so long in the repertory as some of Rossini's other serious operas. Casting difficulties, no doubt, were one reason. Apart from an exceptional soprano it needs three virtuoso tenors. *Otello* needs as many, but there the sympathetic Desdemona appeals to interpreters and public in a way the sorceress Armida, devoured by passion, fury and vengefulness, can hardly do.

Rossini's heroine, like Gluck's, is based on Tasso's heathen sorceress who enslaves and loses the Christian knight Rinaldo. In this strange and prodigious score one *is* always conscious that Rossini bridged two worlds—the 18th century and the Romantic period. Baroque orchestral gestures and concertante-style solo instruments flourish side by side with a strong dose of the shudders due to be fully released a few years later in Weber's *Der Freischutz*. There is a difference. Weber, or so his music implies, believed utterly in his magic. Rossini did not. He created a brilliant illusion of mystery and evil. His Armida is disturbing, not tragic or terrifying.

Given the singers, and Bonn found them, *Armida* is a practicable as well as a fascinating opera, with voices and orchestra vying for attention, florid solos, sensuous love duets, a remarkable trio for three tenors and a turbulent final scena for the scorned Armida as she rides off in her chariot to crashing gong and raucous brass. Katia Ricciarelli sang the title-role with quiet assurance. She does not have everything the role needs (how many sopranos have, today?) and occasionally she skimmed over the more demanding decorations. But the voice, once so soft and yielding, was firm and lustrous.

Of the valiant tenors, Dalmacio Gonsalez in the vertiginous role of Rinaldo was fleet, dashing and (almost) tireless, Keith Lewis was vigorous in the no less demanding music for Gernando, the stylish Eduardo Gimenez was Goffredo (the last two also sang the paladins in the trio). Pier Luigi Pizzi moved his singers and dancers effectively against his own designs. His costumes in the magic garden brought an intensity of colour not often seen, I imagine, on the German stage today. The hero of the performance, however, was the conductor Gabriele Ferro, unobtrusive, unfailingly sensitive in matching voice and orchestra Rossini conductors of this class are rare and much to be cherished.

Ronald Crichton

Television/Christopher Dunkley

The week outside politics

Yes, they *are* doing too much. Yes I *am* fed up to here with it. Yes there *are* times when there is nothing else on all four channels. Yes they *are* their own worst enemies. Of *course* it is time something was done about it . . . but mercifully it reaches its caterwauling climax tomorrow. Then we can have our programmes back, and we shall promptly forget our rage until the next election when the broadcasters and politicians will overdo it all over again.

However, it is only fair to say that even during a period when so much screen time has been hijacked there have still been some excellent programmes around, thanks to Channel 4, BBC-2, and above all Granada.

The past week saw the return of two huge, long-term series of a sort which Granada alone seems to have the courage, the experience and the dedication to produce. Neither *Disappearing World* nor *Man And Music* is ever going to win big ratings, but they are typical of the programmes which prove that Granada is still the best commercial television company in the world. That is not to say that the company works in an intellectual ghetto: Granada also makes *Coronation Street* which certainly does win big ratings—the biggest single audience in Britain every week.

In the past 17 years, 42 programmes have been made under its *Disappearing World* title. in the remotest regions of the earth, from the Venezuelan jungle to the mountains of Nepal. Each has drawn upon the work of an anthropologist, and now The Granada Centre has been set up at the University of Manchester to provide an MA for post graduate students in Visual Anthropology.

It has been remarked that the world is taking its time about disappearing, but Leslie Woodhead, who made his first *Disappearing World* in 1974 and has produced two of this year's batch including tonight's programme about the shepherds of the Pyrenees (9.00 ITV), says that what the series has recorded is not the disappearance of entire peoples but of ways of life "which are rapidly evolving rather than vanishing."

This point has surely never been made more dramatically and vividly than in last week's account of the Kayapo, produced in the Brazilian jungle by Michael Beckham, with anthropologist Terry Turner. The popular concept (created partly, it must be said, by *Disappearing World* itself) of happy but naive jungle tribesmen ruined by the arrival of "civilisation" with its germs, its Christian religion and its rifles, was here turned on its head.

Kayapo warriors contemplating a $2m income in Granada's "Disappearing World"

Either the Kayapo are abnormally enterprising and adaptable or our assumptions have been wrong. When these people found their land invaded by 3,000 Brazilian gold diggers they put on their warpaint and feathers, took up their clubs and bows and arrows and, with a helpful reputation for violence going before them, occupied the airstrip which was the only link between the goldmine and the outside world.

Instead of being laughed to scorn they imposed their will, banned guns, women and alcohol from the mining community, and are now taking $2m a year in taxes from the miners. With this they have bought a small aircraft which they use to police their territory: the first Indian tribe with an airforce. Naturally Beckham showed us the plane, but he provided a sequence of other astonishing images too: a chief with one of those huge lip-expansion ornaments communicating via radio transmitter, and Indians who had just flown back from Brazilia slipping straight back into the tribe's ancient customs.

Most extraordinary of all was the Kayapo use of television: they have bought video cameras and now record their ceremonial events on tape "So that our children and grandchildren will not forget." They even recorded their own successful occupation of the airstrip on videotape, and watch themselves proudly when it is played back in the communal meeting hut.

This programme was in direct line of descent from those 8mm film shows they used to give us at school which always seemed to involve black men either paddling dugout canoes or stamping in fierce war dances. This *Disappearing World* gave us a similar dance, but today we have a much clearer idea of the purpose: it was to bestow a "beautiful name" on a privileged child, in whose honour scores of huge tortoises had been captured for the pot . . . no worse than New Zealand lamb, really, one told oneself firmly

Sir Denis Forman, Chairman of Granada Television until a few weeks ago, who is acknowledged as the "godfather" of the *Disappearing World* series, is the only begtter of *Man And Music*. And while *Disappearing World* has "just growed" *Man And Music* has been planned from the start as a huge undertaking—perhaps as many as 100 programmes, though so far nobody knows. We saw the first four episodes, presented by Alan Bennett and dealing with "Composer And Court" in February last year, and now Tony Cash has produced the next six, called "Classical Vienna," this time with Bamber Gascoigne as presenter.

The first of them, "The Music Of An Empire" on Channel 4 brought back memories of the sheer enjoyment afforded by *Civilisation* nearly 20 years ago, with its contagious enthusiasm for the high points of mankind's artistic achievements. Today so much television is preoccupied with the popular and the easily accessible, so many programmes are desperate to avoid even a hint of the highbrow, that it comes as quite a shock to discover that you can still have a literate and expressive script (delivered, incidentally, by a white middle aged male speaking clear standard English: whatever is Channel 4 coming to?)

The makers of this programme — devoted chiefly to explaining how 18th century Vienna became the centre of the musical world — do not consider that the insertion of more than one date will make impossible demands upon their audience; they do not assume that our attention span cracks at 12 seconds; they believe, rightly, that if they are to convey any idea of the true nature of a Gluck opera they will have to show a sizeable extract, and consequently mount a splendid production of "Orfeo Ed Euridice." To know that there are five more episodes of *Man And Music* to come this season is to be like a child who knows there are Christmas presents under the tree.

Channel 4 offered another wonderful treat in the form of Episode 1 of *Porterhouse Blue*, Malcolm Bradbury's adaptation of the comic novel about a Cambridge college by Tom Sharpe. Anybody who found the television version of *Blott on The Landscape* funny will surely find this funnier. The story once more pits English tradition, inertia and the old school tie against the forces of change and, once again, it is not at all clear which side the author favours. If either.

We have not had time to recover from the awfulness of swan stuffed with widgeon accompanied by claret at the college feast before we are faced with the greater ghastliness of the new master—Ian Richardson, in his element — demanding a nut cutlet and mineral water. I suspect that Sharpe's own view is encapsulated in a line delivered by one of the dons to the college porter: "They can improve things as much as they like, Skullion, it never makes them any better."

Yet another new series starting on C4, *Dartmoor: The Threatened Wilderness*, was marred a little by a somewhat portentous commentary, but full of beautiful pictures. BBC2 contributed a quite remarkable documentary about *The Search for The Marcos Millions*, and began yet another new series, *Design Classics*, with an intriguing account of the English love affair with the Aga cooker.

So although the election has, indeed, become the bane of our viewing lives, and the channel controllers all deserve to be locked in a polling booth for a fortnight and forced to watch a continous tape loop of Roy Hattersley and Nigel Lawson explaining fiscal policies, the fact is that there are still plums to be pulled out of the television pie if only one takes the trouble to look.

Mauceri/Barbican Hall

Dominic Gill

The London Symphony Orchestra's concert on Sunday was conducted by the American John Mauceri—a regular if infrequent visitor to British orchestral concert halls, and known to us in this country principally by his work in the opera house (this autumn he takes up his new post as Scottish Opera's Music Director). It was Rakhmaninov and Prokofiev evening, forming part of the LSO's continuing series of "Great Russian Masterpieces," whose climax was a fine account, vividly sung and played, of Prokofiev's *Alexander Nevsky* cantata.

The first half was all Rakhmaninov, and opened with the early symphonic poem *The Isle of the Dead*—generous, colourful Chaikovskian essay dating from the composer's Dresden years during the first decade of the century. I liked Mauceri's easy, open-hearted manner on the rostrum, and the clarity and flexibility of his beat. The climax of *The Isle* was noisy, but the treatment was never so brash as to swamp the busy contrapuntal detail; the frenzy was nicely contained.

Mauceri has a theatre-conductor's grasp of the larger lines, as well as the complexities, of an effective and sympathetic orchestral accompaniment. His partnership with Stephen Hough, the piano soloist in Rakhmaninov's Paganini Variations, was a special pleasure: relaxed and courteous, neither overbearing nor tentative in its responses. Hough's reading was witty, bright-toned, and of considerable bravura; his treatment of the Big Tune was just right — deeply sentimental, but buoyant, without a trace of schmalz.

Prokofiev's *Alexander Nevsky* began life as a film score, and Mauceri gave the music attractively large-scale scenic treatment, coaxing the broadest vowels from the LSO Chorus, and stretching out to brilliant, full-screen width the timbres of the Battle on the Ice. Sarah Walker sang her single song, "The field of the Dead," very beautifully.

Quartet/Finborough Arms

Michael Coveney

I yield to no-one in my admiration of Christopher Hampton's witty theatrical transposition of *Les Liaisons Dangereuses*, but Heiner Müller's 1981 treatment of the same material, receiving its British première in a pub theatre a stone's throw from the Old Brompton Road and Warwick Road intersection, makes it resemble what it has in fact become, an unprovocative West End comedy hit.

Quartet is an erotic duel between the Marquise de Merteuil and the Vicomte de Valmont that plumbs much murkier depths of depravity and death lust than are contained in Choderlos de Laclos' epistolary novel. Whereas Hampton has invented a stage play of parry and thrust, of point scoring and phrase turning, Müller relates the piece to the sexual and theatrical visions of Artaud and Genet, suggesting a timescale indefinitely contained within a drawing room before the French Revolution and an air raid shelter after World War III.

Next week, I look forward to seeing what Robert Wilson has made of this remarkable text in Stuttgart. This week, I cannot recommend strongly enough a visit to the Finborough Arms to witness a thoroughly unnerving close-contact production by Nesta Jones that boasts a superlative performance by Hollie Garrett, a name to watch, as a masturbatory Madonna of the chaise longue, and a touchingly impressive one by Steven Dykes (lately in the Young Vic *Danton's Death*) as the cravenly masochistic Valmont.

Carl Weber's admirable translation makes light of Müller's allusively intellectual text and creates a disturbingly powerful language of recrimination and abuse. The despoiled virgin and married lover of the novel are on the periphery as these two doomed figures reenact their experimental games of desire. Müller, intriguingly, has them switch sexes, an ultimate erotic ploy that casts Valmont as one who grew used to being a woman and Merteuil as one who never quite did. The complications hereabouts become endless, with only poison, self immolation and death to intervene.

New Cross Theatre is a new company based on graduate personnel from Goldsmith's College. This most auspicious production is prefaced by a collector's item of a lesser vintage, Steven Berkoff's *Lunch*, an early awkward piece in which a fantasy beach encounter is overtaken by private thoughts and a rape. Alison Hume directs Steven Dykes and Sally Griffin.

All's Well That Ends Well/Leeds

B. A. Young

All's Well That Ends Well is a small scale play, despite the presence in it of the King of France and the Florentine war being waged offstage, and the Leeds company (at the Playhouse) under John Harrison's direction have made it virtually an intimate domestic comedy. The story of Helena's marriage to the unwilling Bertram and the conventional bed-trick with which she deceives him into accepting her is uncomplicated by any important sub-plot. The King's gift to Helena of her reluctant husband as a reward for curing his illness with her inherited expertise is no more than a dodge to get the marriage going. (Leeds has inserted a game of musical chairs, pretty to see, but obviously fixed so that Bertram is the last man in and so the elected bridegroom.) Terence Skelton as the King does not seem to suffer much in his bathchair, and Helena's services give him instant animation.

Likewise Jenny Funnell restrains any attempt to render Helena at all travel-stained after walking from Paris to Florence; she is still the same attractive, serious girl we saw at the Court. By now, Bertram, whom Aden Gillett makes as serious as she, is involved with the pliable Diana. "Take my ring," he tells her, effectively throwing away the thought as unimportant. Rebecca Hawking's Diana, as charming as her rival but more fun, shows some signs of gaiety, even though we know they are false.

Parolles is good for laughs but does nothing else for the story. Mike Burnside is rather a solid figure for such a lightweight character, but the plot that takes the stuffing out of him is amusingly played, with the Dumaine brothers puffing away at clay pipes as they delude their victim with improvised bandit-language.

The production, on an almost bare stage, backed with pretty creeper-grown flats, is appropriately slender, with pleasant costumes suggesting the Regency. Dancing and fighting are kept to a minimum. Hilary Liddell and Brian Tully, as the Countess and Lafeu, do adequate honour to the older generation, but Neil Boorman is given little chance to make anything of the Clown.

Wolf songs/St John's, Smith Sq

David Murray

Arlen Auger and Tom Krause offered 23 songs from Hugo Wolf's Spanish and Italian *Liederbücher* for Monday's BBC lunchtime recital, which probably constituted a record. They chose to perform them in the continuous tale of flirtation were being told, with the non-singing singer at any moment expected to mime simpers and mock-scowls. That is not really Miss Auger's style, and besides the merrier songs suit her address less well than those which are rapt or bereft, like "Wir haben beide" or "Mein Liebster singt."

In those she was touching as well as lovely; but she was nowhere less than a scrupulous artist, using her clear soprano without tricks. In the song about the wretched violinist-lover she was much funnier than the pianist Irwin Gage, who turned his closing "solo" into low farce. He was generally expert, as usual, but much of the serenade-music lacked a spark (it was a *very* damp lunchtime).

Krause's warm baritone can encompass roguishness as easily as sonorous raptures, and he was in rich form from a most tender "Alle gingen, Herz, zur Ruh" at the start to cheerful lover's protests.

A better 70-minute conspectus of Wolf's peerless songbooks could hardly be devised.

Saleroom/Susan Moore

A group of Tang tomb figurines of horses and grooms from the estate of the late Mona, Countess of Bismarck was the highlight of yesterday morning's sale of Chinese ceramics and bronzes at Sotheby's. The top lot was a richly caparisoned Fereghan horse covered in a deep chestnut glaze, its saddle cloth modelled to simulate fur and glazed olive green. It reached its unpublished estimate by selling for £275,000 to an anonymous bidder, despite its damage.

A finer but more damaged Fereghan horse, notable for its silvery glaze, powerful arched neck and crisply knotted green saddle - blanket, went for £165,000. The two glazed grooms also sold on target. One, of Western Asiatic origin, sold for £22,000; the other, both of whose unglazed hands are clenched as though holding reigns, was bought by the Belgian dealer Giselle Croes for £19,800.

The same dealer also paid £24,200 for a painted pottery goose, possibly a lamp, dating from the Han Dynasty. R. Chang of Hong Kong secured a Jiaotan guan lotus pod water-dropper, Song Dynasty, for £28,600, less than its lower estimate.

Perhaps the greatest surprise of the sale was the £30,800 paid for a cloisonne enamel arms bowl of the first half of the 15th century (estimate £4-6,000). Although of rare shape, the bowl was dented and had pieces missing. A rare Ming cinnabar lacquered dish, carved in tones of red and black with scaly dragons, also realised five times its estimate by selling for £24,200.

James Maw wins Betty Trask prize

The Society of Authors distributed a record £56,900 in literary prizes at its annual receptoin last night.

The largest single prize, the Betty Trask main award of £8,000 for a first novel of a romantic or traditional nature by a writer under 35, was won by James Maw for **Hard Luck** (Quartet). Two runners up, Peter Benson for **The Levels** (Constable) and Helen Flint for **Return Journey** (Heinemann in July), received £4,500 each; and £1,000 each went to Catherine Arnold for **Lost Time** (Hodder & Stoughton), H. S. Bhabra for **Gestures** (Michael Joseph) and Lucy Pinney for **The Pink Stallion** (unpublished).

The Somerset Maugham Awards—£2,500 each for three writers under 35—were won by Stephen Gregory for **The Cormorant** (Heinemann), Janni Howker for **Isaac Campion** (Julia MacRae), and Andrew Motion for **The Lamberts** (Chatto & Windus).

Three Travelling Scholarships of £1,500 were also announced, won by Shena Mackay, Vernon Scannell and Iain Crichton Smith.

The £20,000 Eric Gregory Award for poets under 30 was divided between Peter McDonald, Maura Dooley, Stephen Knight, Steve Anthony, Jill Maughan and Paul Munden. Three shared the Cholmondeley Award for poetry: Wendy Cope, Matthew Sweeney and George Szirtes received £1,300 each.

The Tom-Gallon Award, a biennial short story prize, was won by Lawrence Scott for **The House of Funerals** (unpublished).

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

June 5–June 11

Theatre

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel remains in London with Jonathan Hyde and Eleanor David replacing new toasts of Broadway Alan Rickman and Lindsay Duncan. (836 6111 or 836 1171).

Woman in Mind (Vaudeville): Pauline Collins and Michael Jayston now lead a new cast in Alan Ayckbourn's bleakly ingenious comedy about a housewife fantasising the ideal family on the back lawn. (836 9987/5645).

High Society (Victoria Palace): Dramaturgically sound but musically weak conflation of film, play and assorted Cole Porter hits directed with punch but little taste by Richard Eyre, director designate of the National Theatre. Stephen Rea notably charming in the Sinatra role, Natasha Richardson uncowed by Grace Kelly as the ice maiden who melts (834 1317/838 4735).

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in A View from the Bridge; Juliet Stevenson in a fine revival of Lorca's Yerma; and David Hare's production of King Lear, Hopkins, a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

Macbeth (Barbican): Jonathan Pryce is a wolfish, blood-curdling Macbeth in Adrian Noble's exciting production for the RSC. It plays in repertoire with Jeremy Irons' inconclusively wimpish Richard II and a rough and tumble modern-dress Romeo and Juliet. Best in the RSC's Barbican Pit is Janet McTeer leading a fine ensemble in Worlds Apart by Cuban playwright Jose Triana.

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

NETHERLANDS

Amsterdam, Carré. The Grips Theater from Berlin with Volker Ludwig's Linie 1, a rock musical set in the Berlin Underground directed by Wolfgang Kolneder (Wed, Thur). (22 52 25).

Amsterdam, De Krakeling (Nieuwe Passeerdersstraat 1). Munich's Theater der Jugend with Die Geschichte vom Onkelchen, a mime play about two lonely children brought together by a dog (Sa, Sun, 2 perfs. each). (24 51 23).

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221-1211).

All My Sons (John Golden): Richard Kiley has the gratifying part of Joe Keller in Arthur Miller's post-war moral tale of profits versus principle in a nicely dated production from the Long Wharf Theatre. (239 6200).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

Les Miserables (Broadway): Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin): Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

CHICAGO

Sunday in the Park with George (Goodman): Stephen Sondheim and James Lapine's Pulitzer Prize winning musical based on suppositions about the life of artist and Georges Seurat stars John Herrera as the artist and Paula Scrofano as his lover, Dot, directed by Michael Maggio. Ends Aug 2 (443 3800).

FINANCIAL TIMES

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Wednesday June 10 1987

The case for a third term

SINCE 1979, under the two Thatcher governments, necessary steps have been taken to tackle deep-seated weaknesses in the British economy. Curbing inflation, reducing the disruptive power of trade unions, restoring incentives for managers and entrepreneurs—these and other changes have certainly not produced a British economic miracle. Indeed it is the patchiness of the country's progress since 1979, and the pain which the changes have inflicted on some sections of the community, that have made the Tories so vulnerable to Labour's campaign assaults. Yet the so-called Thatcher revolution provides the basis for a sustained improvement in economic performance. It needs to be consolidated and taken further in a third Conservative term.

Whether the changes could have been brought about in a less traumatic way is debatable. But the overall effect has been to make British industry more competitive and more profitable. The UK is now an attractive manufacturing location for foreign companies; London has become Europe's dominant capital market. North Sea oil revenues have been used to build up substantial overseas assets which will be a source of wealth in the future.

The judgment that the Tories should be allowed to build on these achievements in a third term is based less on their manifesto or their campaign (both of which have been disappointing) than on the threat which a Labour government, or even a Labour/Alliance coalition, would pose to Britain's continuing revival.

Labour's unexpectedly professional campaign has consisted largely of attacking the Thatcher Government's meanness, especially its record on unemployment, and of promising to spend more on schools, hospitals, pensions and other parts of the welfare state. Mr Neil Kinnock, the Labour leader, has struck a rich vein of anti-Thatcher sentiment and, in doing so, has enhanced his own reputation. Apart from the defence issue, Labour has presented an image of moderation and sympathy for the underdog, deflecting not-very-credible charges that the new-look party is simply a respectable front for the far left. Yet Labour's prescriptions—more public spending, more government-directed investment, a dose of redistributive taxation—have a decidedly old-fashioned air. There is not enough evidence that Labour's leaders understand or accept the need for a dynamic market economy in which enterprise and initiative come from below.

Muffled message

In this context the apparent failure of the Alliance to make a major impact on the electorate is regrettable. Its over-detailed manifesto contained some worthwhile proposals, notably on constitutional reform. Even the suggested counter-inflation tax on excessive wage increases showed a justifiable concern with one of the central problems in the labour market, the wage-setting process. The commitment to full membership of the European Monetary System was welcome. But the Alliance message, perhaps reflecting the need to reconcile different strands of thought between the Liberals and the Social Democrats, came out muffled and indistinct. There was perhaps too much emphasis on the importance of a hung parliament and not enough on getting across in a forceful way the Alliance's commitment to the social market economy.

Yet if the Alliance is disappointed with its campaign, the Tories can hardly be proud of theirs. Harping on the excesses of past Labour governments did little to dent the central charge against them, which is that Thatcherism cares only about the rich and successful, and is not bothered about disadvantaged people and communities. Unfair though these accusations have often been, they gain support from the contempt which Mrs Thatcher has sometimes shown towards the public sector, including her civil servants. To respond to the attacks by pointing to the Tories' own record in spending on welfare lacks conviction. For the Tories' claim to a third term rests not on their ability to spend more taxpayers' money than their opponents, or even to spend it more wisely, but on their ability to make the market economy work better and thus to generate the resources which the country needs for its schools, hospitals and social services.

Questionable choices

The Tory manifesto, while not lacking in content, is not as radical as it was claimed to be. The proposals for the housing market, one of the topics where radicalism is most needed, are tentative at best. The replacement of the rates by the so-called community charge has many disadvantages. The choice of the next targets for privatisation, including water and electricity, looks questionable; the implications for competition need to be thought through more carefully than in past public utility privatisations. The future direction of tax reform is unclear.

More promising are the proposals for education which, together with training, represents the most important "supply side" area in need of extensive reform. Although some details are still vague, the Tories are right to press for a core curriculum, for wider parental choice and for a reduction in the blocking powers of teachers' unions and local authorities.

There is a danger that the Tories will again find themselves bogged down in complex legislation on a range of issues which are not central to their objective. If a reduced majority forces them to be more selective and to drop peripheral items, so much the better.

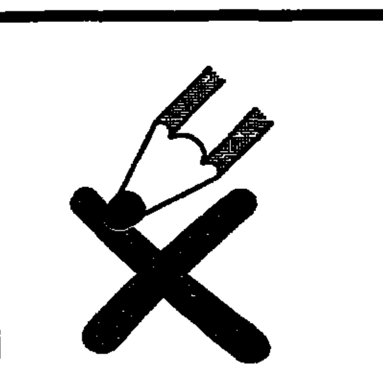
What matters most is that the Tories should learn from their mistakes and from the campaign itself. There are serious divisions in British society and anxieties about Tory attitudes towards them. Many people think that the kind of society Mrs Thatcher wants has nothing to offer the bottom 15 per cent of the population. Yet the point of the social market economy which the Tories at least as much as the Alliance say they want is not just that it fosters wealth creation, but that it provides equality of opportunity and a safety net.

An effective safety net requires carefully thought-out policies which direct support to those who most need it. These policies often need to be radical, in the sense of upsetting special interest groups, some of them natural Tory supporters. Radicalism, within the context of a well-functioning social market economy, should benefit the poor and the unemployed as well as the entrepreneur and the City trader. The task for the Tories, if re-elected, is to demonstrate in practice that their approach is good for the country as a whole.

UK INDUSTRY AND THE ELECTION

Different views of the new Jerusalem

By Hazel Duffy and Terry Dodsworth



EVEN allowing for the hyperbole of an election campaign, it is difficult to reconcile the images of British industry being presented by the country's two leading parties. On the one hand, Mrs Margaret Thatcher trumpets handsome gains in productivity, steady growth in output and hefty advances in profits during her two administrations; on the other, Mr Neil Kinnock laments the destruction of manufacturing capacity, the loss of jobs, and Britain's decline in world markets. They could almost be on different planets.

The same sharply differentiated attitudes permeate the discussion of industry in the election manifestos. The Conservative document, in a long passage on the economic achievements of the present Government, eschews all mention of a strategy for industry. It concentrates on its conviction that government should make itself as unobtrusive as possible in industrial affairs, flourishing its privatisation programme as evidence of the way it has rolled back the boundaries of the corporate state. The Labour policy advocates new means of intervention, insisting that the state needs to become institutionally involved in running industry with the Trade and Industry Department as its champion.

In between these extremes, it has not been hard for the Alliance to find a distinctive voice. Indeed, its manifesto presents the most detailed outline of an industrial policy of all three parties, reflecting its view that Tory-style macro-economic management is not enough to guarantee competitiveness, while direct intervention is equally flawed by bureaucratic ignorance of the maket. Its policies, which include a Cabinet-level committee to develop a long-term strategy for industry are directed mainly at ways of reinforcing the market—filling investment gaps where private funding is inadequate, strengthening civilian research, encouraging training and regional programmes, and curbing monopolistic practices.

It is evident from all three manifestos, however, that Thatcherite policies have redefined the debate about industry in the UK. Privatisation and curbs on union power, liberalisation in the City, telecommunications and transport, are all aimed at enhancing the place of market forces and creating more space for management to manage. The approach, at least in theory, is weighted against protectionism and biased in favour of entrepreneurial activity and open markets.

Labour's accommodation to the disciplines of this road are easily identifiable. British Telecom and British Gas, for example, are to be brought back to the public sector, but by changing the status of the shares rather than by the state's acquisition of the equity.

Although the success of privatisation in promoting competition has been very limited, this link with wider share ownership has helped win over the public.

Labour has thus been forced to find other ways of directing industry, such as by channelling investment to favoured sectors. This is particularly marked in policy towards high technology, which draws on the practice in other European countries.

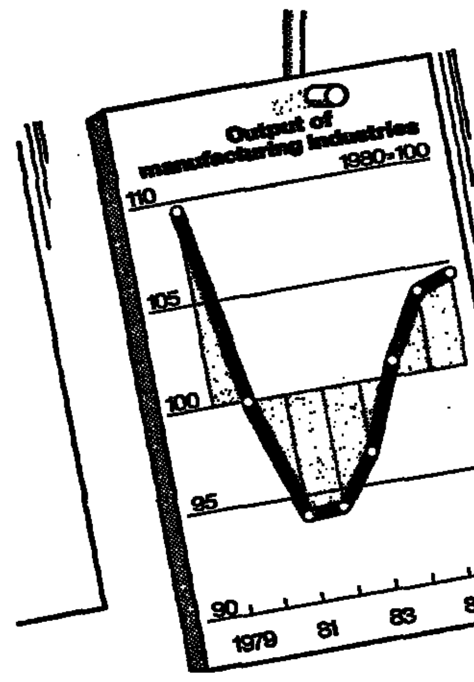
A new British Enterprise group would be formed to inject state funds "into high technology and other concerns" —an idea which seems to hark back to the National Enterprise Board of the 1970s. A British Investment Bank would be launched to lend long-term funds, while the availability of finance would be increased by a capital repatriation scheme. Demand for British products would be raised by more directed public purchasing policies. Labour would also create a Ministry of Science and Technology to foster research and development, while the Trade and Industry Department would be strengthened—there have been suggestions of putting a fence around the department's spending, so the Treasury could not cut it.

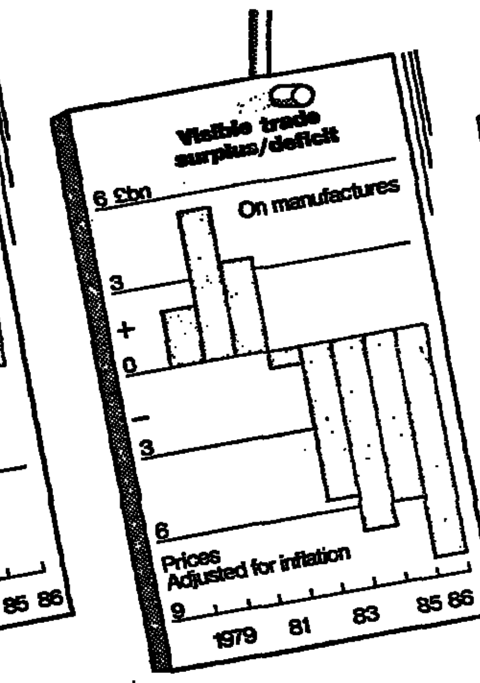
In this new Labour universe, planning has assumed a secondary role. The Trade and Industry Department would be expected to draw up a national industrial strategy, but the concept of a rigorous central plan, one of the main props of the corporatist state philosophy, has gone. As one Labour sympathiser points out, if planning is being questioned in the Soviet Union, what role can it have in the UK?

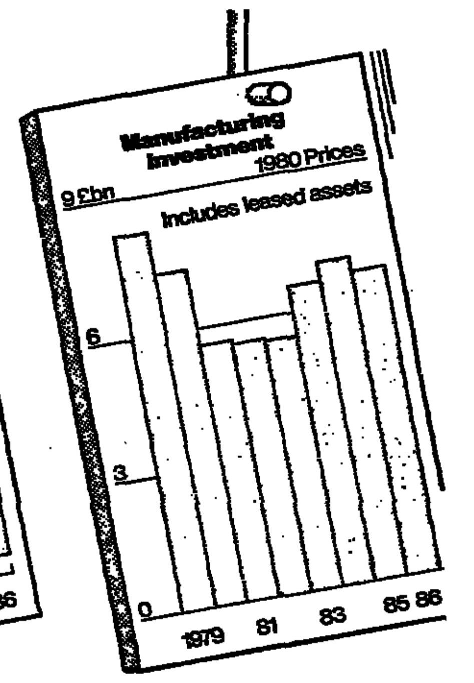
The Alliance has directed most of its fire power into the theme of strengthening the competitiveness of British companies. Unlike the Labour Party, the Alliance applauds some of the achievements of the present Government, particularly the moves to reduce the power of the trade unions and increase the prerogatives of management. Its policies also continue to echo some traditional Liberal Party concepts of co-operation in industry. But it also takes issue with what it sees as the Government's failure to erect signs pointing towards the sort of industrial structure which is appropriate to the UK.

The Alliance view is that the Tory policy of benign neglect, of allowing industry to find its own feet while attacking the UK's industrial problems by indirect mechanisms such as exchange rate policy, runs serious risks. Too much worthwhile capacity has been destroyed. Britain may have become damagingly dependent on cheap products made by a low-wage workforce.

This theme strikes a chord among many executives, particularly those in industries which have been hit hard by the shake-out.







The Engineering Employers' Federation argues for a political consensus on industry which would span the lifetime of several parliaments. The areas to be covered by the agreement would be worked out between government and industry, with the opposition parties being brought in on the negotiations. This would avoid the wild swings in policy towards industry when governments change, the federation argues, and be more like the political practice in successful industrial countries like Japan.

The Alliance says the way for the UK to prosper is through high value-added, high-quality products, made by a high-wage workforce. It stresses the importance of a strategic overview of industry, again drawing on what is thought to be the practice in Japan, advocating that a Cabinet industrial policy committee should lay down a broad approach to the development of industry.

Government would give support to certain enabling technologies, financial institutions and skills to help industry adapt to unfamiliar conditions.

Again, high technology industries provide a focus of anxiety—a point the Conservatives have had to deal with in their own manifesto. The only mildly dirigiste phrase in the document concerns new initiatives in the research area, a move which may lead to less prominence for a Ministry of Defence widely criticised for both dominating the Government's research budget, and failing to spread its technological developments through industry. "One view is that the real industrial policy of this country is the equipment budget of the MoD," says Mr Kevin Morgan, from Sussex University's School of Social Sciences.

The Alliance also argues that British companies should be forcer to face stronger domestic competition, while concentrating more resources on self-generating organic growth by a tougher policy on mergers and monopolies. The party contends that action against monopolistic pricing policies has never been strong enough in the UK, and recommends that the current anti-monopoly agencies should be brought together under a more powerful Office of Fair Trading.

These points underscore the Alliance's position as a party drawing on many of the West German ideas of a social market system, careful to understand industry and support it, but keeping a clear barrier between "enabling" measures and direct involvement.

Another method of increasing competitive pressures on UK industry, although a more controversial one, is to encourage foreign investment. Mrs Thatcher has taken a strong line here, even personally opening the Nissan car plant in the north-east. This policy, some argue, is aimed less at producing new jobs than putting pressure on British managers to improve their skills by being exposed to the best methods of Japan.

Much admired overseas, it is a high risk policy, characteristic of an approach which prefers stick to carrot. By way of vindication, the Government can point to a series of more optimistic business surveys since the beginning of the year. Critics reply that this must be seen inthe context of the trade deficit in manufactured goods into which Britain slipped in 1984.

The parties' proposals for industry

TORIES

- More privatisation: water boards and electricity
- More competition: further deregulation
- Trade—maintenance of general trading system
- Energy: need for further cheap power
- Efficient transport: more investment and private sector initiatives
- R & D: direct spending to areas of national priority

LABOUR

- Investment: capital repatriation scheme; establishment of British Investment Board to lend long-term money
- Regions: new Regional Development agencies and regional high technology innovation centres
- High technology: New Ministry of Science and Technology to encourage R & D
- Planning: strengthen DTI to develop a national industrial strategy; establish British Enterprise Group to inject state funds into high technology and other concerns
- State ownership: re-establish control over British Telecom and British Gas, but do not re-acquire equity
- *Training*: new two-year training and work experience plan for 16 year-olds. New plan for adult re-training and training unemployed

ALLIANCE

- Manufacturing: support for *manufacturing the driving force of* the economy
- Finance: introduction of Industrial Investment Bonds to attract new investors; new industrial credit scheme for medium-term money; tax allowance for investment in new technologies
- Planning: new Cabinet Industrial *Policy Committee* to develop a broad, long-term industrial strategy in co-operation with industry
- Training: rebates for companies spending heavily on training
- R & D: increase funding for civil R & D
- Exports: more backing to put British companies on an equal footing with competitors
- Monopolies: tackle unfair trading; MMC to be subsumed in the Office of Fair Trading; mergers will have to be justified
- Privatisation: guarded support where companies are not *monopolies*
- Regions: strong regional action with help of local venture funds
- Small Business: help for small businesses, seen as a major engine of growth
- Share ownership: support for the extension of share ownership

Men and Matters

Don't eat the Bikini

The hidden dangers of pineapple-flavoured Bikinis will be among the matters on the minds of the European Community's consumer affairs ministers when they meet in *Luxembourg today.*

A Commission mole tells me that one of the items on their agenda is a proposal by the Commission to ban sales in the Community of products that look like food, but arn't.

The Commission first launched the scheme with the aim of outlawing things such as soaps that look like bananas. and chocolate-shaped candles. Parents know that such gimmicks can, when accidently eaten, cause havoc with small *childrens' digestions.*

The Commission now wants to persuade member states to extend the ban to non-food imitation products.

That is where the Bikinis provide but scant coverage, you might say.

Commission officials have discovered it is possible in some member countries to buy Bikinis impregnated with a strong pineapple scent.

Now the Commission is worrying that some of its more hot-blooded citizens might be tempted to take a bite out of other citizens' swimwear.

Tokyo Rose

The new Japanese craze for heavy industrial companies is called "Image up."

...It aims to boost their corporate profiles—which is another way of saying they want to look more important to more people who don't know precisely what they do.

Mitsubishi Electric, a company better known for its power plant equipment than consumer products, is currently giving itself a facelift with the help of a distinctly western phenomenon—Madonna.

The American pop singer's pouting face can be seen on almost every subway platform in Tokyo these days, extolling the virtue of Mitsubishi's Hi-fi videocassette recorder. After a year of using Madonna in its television and poster advertising the company reports that it has doubled its market share of the machines to 10 per cent of the Japanese market, aided by her charm.

The campaign is to be further highlighted next week with a week of Madonna concerts in Tokyo and Osaka. And she is doing her bit to help correct the trade imbalance between the US and Japan.

She is reported to be taking home $7m from her Japanese tour. That constitutes a record: the most money ever paid to a western performer in Japan, and probably a record in value added earnings for a western consumer product in Japan.

Night shift

Mrs Thatcher no doubt has a band of ardent supporters in the City of London.

But she will not be able to count on the votes of all of them.

The revolution in financial services ushered in under her stewardship has meant a dawn start for countless dealers, and long evenings for many others, with the development of round-the-clock trading, particularly in the gilt-edged market.

Many traders will miss a night's sleep as securities houses keep the shop open on election night, with substantial trading teams poised to do whatever business comes their way from New York and Tokyo as the results roll in.

On normal nights, primary dealers in gilts simply pass their book to counterparts in New York and Tokyo, who are briefed to trade as they will within prescribed limits. Any consultation with London is done on the telephone—irritatingly waking colleagues up in the middle of the night.

"Are you the lot who don't want to shelter under the nuclear umbrella?"

But tomorrow's special circumstances mean that scores of eager City Thatcher supporters will not get a chance to get to their local polling booths (which open at 0700 and shut at 2200) to give her their votes.

One gilt-edged participant described himself in aggrieved tones as "disenfranchised."

Many houses have ensured that at least some of their staff can exercise their democratic rights by instituting a shift system. But the key personnel, notably the market makers themselves, will probably have to sit it out for the best part of 24 hours, fortified by coffee and sandwiches.

In spite of general City of London anticipation of a Conservative victory, champagne does not appear to be on the menu — for trading with the Japanese is a very serious business.

Final straight

There is a mystery about the Bournemouth punter who has laid a bet of £100,000 at 6-1 on for the Conservatives to win most seats in the general election.

The presumption is that he is either a businessman or a gambler of means—for he is reported to have returned to the betting shop to pay with a banker's draft, his wager having been accepted.

An odd feature is that he did not follow the usual course of paying the tax on his bet in advance. One of my gambling friends tells me that if he had laid out the same amount of money, and paid the 10 per cent tax in advance, he would show an extra profit of £1,060 over and above his present expectation of £5,000.

Better still, he could have visited a racecourse and placed the bet with one of the big bookies, and escaped tax altogether.

Although whether Chancellor Lawson intends his no-tax-on-the-course concession to apply to anything else but horse racing is a matter the Revenue might be ready to go to the courts to unravel.

In any event this rather unprofessional big punter has helped drive the odds against the Tories down to an even more prohibitive 8-1 on, taxable.

When you tire of reading the opinion polls take the following on board. Bookmakers William Hill are not taking any more bets on the Tories to win the election.

Observer

A hard time for the spirit of enterprise

James Buxton finds that doubt remains about Scotland's economy despite signs of improvement

"IN SCOTLAND now there is a stirring, a reawakening such as we have not seen for years. There is a new growth in the economy—revival of enterprise. We are competitive again."

Those were the recent exuberant words of Mr Ian Lang, the Scottish Industry Minister, and it has been a major theme of the Conservative election campaign in Scotland. The claim is underpinned by a string of favourable economic indicators and the most positive Confederation of British Industry (CBI) survey of Scottish business opinion for 14 years.

Output is beginning to increase as the boom in other parts of the UK economy reaches Scotland, lifting the gloom caused by last year's oil price collapse—which has cost 20,000 jobs—and a bleak winter of lay-offs and closures in the engineering industry.

The Government's case is that, like the rest of the UK, Scotland has been through a painful but necessary period of transformation. Although the charges have had unfortunate effects in terms of unemployment (since 1979, one in three manufacturing jobs have gone *north of the* border), a resilient and competitive economy has emerged.

Between 1979 and 1985 Scottish productivity in manufacturing rose by 5.8 per cent, faster than the UK average of 3.9 per cent. Unemployment, standing at about 14 per cent, has been falling since the beginning of the year, although it did edge up in April.

But are the improvements that have taken place enough to lay the foundations of a strong regional economy, of the kind that Scots dream about—and which exists in some other outlying parts of Europe? Many Scots doubt it.

Mr Bill Miller, vice-chairman of the CBI in Scotland, said in an interview a few months ago: "*The Scottish economy is not* regenerating itself the way it should be. It's not valid to explain everything away by the downturn in North Sea oil. There ought to be enough beef in the economy to make the oil price reverse just seem a small blip."

Mr Miller runs Prestwick Circuits, a printed circuit board maker which is one of the few, relatively successful Scottish-owned electronics companies of any size. The electronics industry is a telling example of the region's strengths and weaknesses. On the one hand, there is a fairly strong sector consisting of branch factories owned either by English concerns or by foreign companies using it as a gateway to UK and EC *markets. Attracting inward* investment is one of Scotland's successes.

Yet the presence of major electronics manfacturers has largely failed to stimulate the growth of a strong indigenous industry, either in the form of component suppliers or as spin-*off* enterprises. Only 12 per cent of the big concerns' inputs are sourced in Scotland, and only five per cent of the electronics labour force of about 45,000 work for Scottish-owned and managed companies.

The branch factory sector of the economy can only go so far to sustain Scotland. The electronics industry, which through its dramatic rise in output has enabled total industrial production to return to roughly its pre-1979 level, has produced little new employment.

Despite Government efforts to stimulate enterprise, Scotland appears to have a low quotient in that field Its 5m inhabitants make up 9.6 per cent of Britain's population Yet new Scottish registrations for VAT and the region's participation in the Manpower Services Commission's enterprise allowance and business expansion schemes are all at around 6 per cent of the UK total.

Some industrialists believe there is an anti-business bias in Scottish education, and find an explanation for the dearth of enterprise in the heavy prepon*derance of Scots who* live in public sector housing The Conservatives have managed to lever the rate of owner-occupation up from 35 per cent to 42 per cent, though this is still more than 20 percentage points below the UK average.

Another important explanation may lie in emigration. Scotland's population *is* slowly declining as departures, especially of people in the 20-35 age group, offset the small natural increase. The renowned "enterprising Scot" exists, but is often to be found outside his homeland.

Scotland, in other words, is suffering from a facet of the drift to the south-east of *economic power. Some business*men believe that the improvements of the last few years in the efficiency of Scottish companies and their increasing orientation towards export markets may push them towards the south-east. Cases of civil engineering consultants leaving Glasgow for the south have caused some Scottish-based manufacturing companies at least to wonder whether they should follow them.

"They want to be near Heathrow," says one observer. Chieftain Airways, an airline established to link Scotland directly with European cities, rather than flying via London, has recently gone into receivership after running for only six weeks.

Many Scots blame the lack of dynamism in their economy on takeovers of indigenous companies by ones based outside — another feature of the drift to the south. Last year's takeover of Distillers by Guinness, soon after the acquisition of Coats Paton by Vantona Viyella, has helped make this a major issue

A study of takeovers of Scottish companies between 1965-80 confirmed the generally held belief that the company taken over usually cut its use *of Scottish banking, auditing* and other services and decisions on materials supply tended to be taken at the acquirer's headquarters.

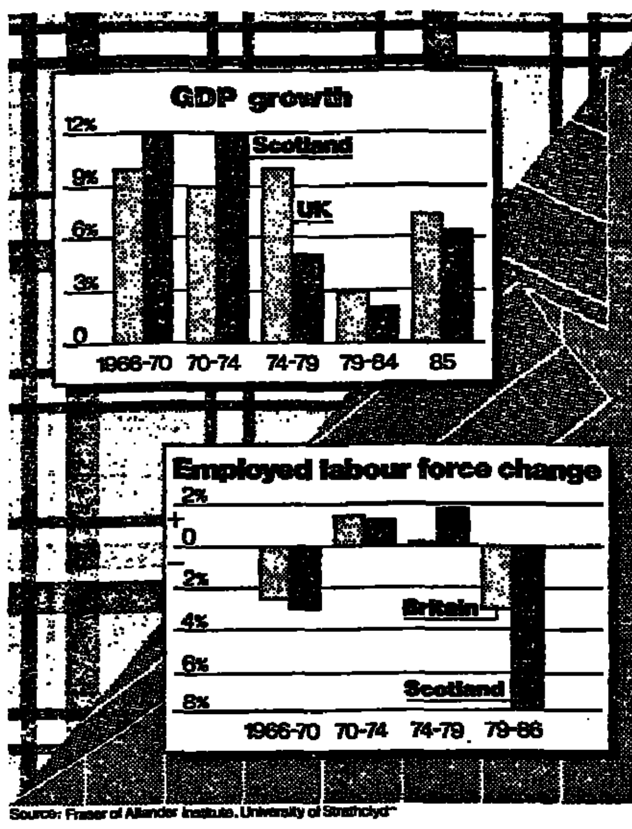
Yet the report on the effect *of takeovers — by a team from* Strathclyde University—could not decide whether they were, on balance, good or bad for the Scottish economy. Many of the businesses acquired by outsiders were so badly run that they did better afterwards. In some cases, they would not have survived if they had been left alone.

The teams recommendation that takeovers and mergers involving a regional interest should, unlike at present, automatically be referred to the Monopolies and Mergers Commission commands the support of many Scots. But others oppose any form of special protection. Profesor Jack Shaw, who runs Scottish Financial Enterprise, a pressure group *aimed at promoting the region's* financial services industry, believes — as do others in the Scottish financial community—that it is up to indigenous companies to become more aggres*sive and acquisitive.* Some are already such as Scottish and Newcastle Breweries and the textile *group, Dawson* International.

But industrialists, financiers, unions and others broadly agree on the more basic point that the Government should do *more* to redress the economic imbalance between the south-east and the rest of the country. Professor Shaw has asked why Edinburgh and Glasgow do not have enterprise zones when the *City of London has* the docklands zone on its doorstep.

The Government's 1984 changes in regional aid not only cut the amount of money available (Scotland is this year getting only about half the £200m it would have received under the old system), but—and Scots are not alone in thinkingthis—seriously reduced the effectiveness of the expenditure.

The Scots argue that the UK would benefit from having outlying regions that are economically strong, rather than growth being heavily *concentrated in* the south-east. There may be self interest in what they say, but it more than a ritual shaking of the tartan begging bowl. And whatever the out*come of the general election,* they will not stop saying it.



Source: Fraser of Allander Institute, University of Strathclyde

The UK economy

A note of caution over productivity

By John Muellbauer

THE NEWS on productivity has recently been good. The latest official figures show output per head in manufacturing *growing 6¼ per cent between* the first quarters of 1986 and 1987, compared with a 0.1 per cent fall over the previous four quarters. Recent revisions of the employment figures show just over 2m job losses since Mrs Thatcher first came to power, more than previously thought. But, looking at the bright side, the estimated growth in manufacturing productivity over recent years also needs to be revised upwards to some extent. Let us hope the revised employment figures are now accurate.

Last year (in Oxford Review of Economic Policy and the FT August 13) I argued that the poor performance of output per head over 1985-86 resulted from a fall in labour utilisation *and should not induce pessi*mism about the underlying trend. Now I want to restrain euphoria over the rate of productivity growth in the last year: it is not sustainable.

To find a sustainable rate it is best to begin with estimates of the underlying trend growth in "total factor productivity." I take this to be the increase in measured output that cannot be *explained by changes in the* number of workers, in the gross capital stock (ie: the stock of plant, equipment, vehicles and buildings), in holiday time, in the normal working week and in the intensity of weekly labour utilisation.

It reflects changes in a set of elusive factors such as working practices, technology, effort and efficiency by workers and managers as well as measurement errors especially in the capital stock statistics.

On the data available last year, I estimated that, since the 1980 third quarter, trend growth in manufacturing total factor productivity had been 2¾ per cent per annum.

On the revised data this figure goes up by 0.3 to 0.4 per*centage points. This is 0.4 to 0.5* percentage points higher than trend growth in total factor productivity in the "golden age" that preceded the first oil shock in 1973 and much better than the *low* rates experienced between 1973 and 1980.

My diagnosis of the slowdown then experienced puts most weight on capital: I suspect the capital stock figures do not reflect the *scrapping* and reduced utilisation then prevalent. Conversely I attribute most of the post-1980 improvement to the elimination of these measurement errors in capital. But this surely is not the whole story.

One can attribute other elements of the improvement to the shedding of below average inputs resulting from the great 1979-81 shake out, the microchip revolution, improved working practices and sharper management, in part stemming from the altered climate of industrial relations and the competitive pressure to which British companies have been exposed. No one knows how much relative weight to attribute to these various *elements, however.*

Let me return to the prospects for labour productivity growth.

To get from total factor productivity growth of 3.15 per *cent on my latest estimates* to prospects for the growth in output per head one must add an allowance for the likely growth of capital per head. Making the assumption of con*stant employment in* manufacturing, the size of this allowance depends upon the rate of investment and on the assumptions made about the existing capital stock.

Suppose investment is 4 per cent higher than last year as the latest survey predicts, then on the Central Statistical Office's gross capital stock figures, the trend growth in output per head in prospect is 3.4 per cent. Making the extreme assumption of a 20 per cent increase in investment and attributing all the 1973-80 productivity growth slowdown to unobserved scrapping and the subsequent speed-up to reduce scrapping, this rises to 3.9 per cent.

If earnings in manufacturing *continue to grow at* around 8 per cent we will see trend growth in unit labour costs around 4½ per cent. This is more than for our competitors. I am therefore less optimistic than *Giles Keating* and Peter Spencer (of Credit Suisse First Boston) about the consequences for growth and employment of allowing sterling to drift up further into the region of DM 3.3, especially with European Community growth falling.

The depreciation of sterling I recommended last August has been successfully managed and the optimistic forecasts for growth, unit labour costs, interest rates, the public sector borrowing requirement, that I made then have been borne out.

It would be sad to lose these gains. In particular, if manufacturing growth slows down so that labour utilisation falls, the outlook for unit wage costs would deteriorate and the virtuous circle from which we have benefited in the last year could well unravel.

The policy dilemma that would face a Conservative *government on June 12 is,* I believe, a tough one.

The inflow of foreign money can be taken in lower interest rates or a higher exchange rate or a mixture of both. *However badly British industry* needs lower interest rates, the authorities would be rightly apprehensive about the stimulus of lower interest rates to personal sector expenditure, imports and house prices.

I fear that our wage inflation problem, despite everything, has still not been licked and widening regional house price differentials linked to lack of labour and job mobility will sustain continued wage inflation.

My diagnosis is that we need a comprehensive reform of housing market institutions and of personal taxation. None of the party manifestos fully faces this need for reform.

By resetting the fundamental incentives and rules facing the *personal sector relative to the* tradeable sector it should be possible to manage the economy much more successfully even with the few macro-policy instruments now available.

On present policies, I predict we will continue to suffer higher inflation and unemployment than our competitors.

The author is a Fellow of Nuffield College, Oxford.

Letters to the Editor

Centralisation policies

From Mr S. Living.

Sir, — I am accused of closet corporatism by Professor George Jones and Tony Travers (June 8), who believes that the government's proposals on education and housing would *transfer power from elected* local authorities to "non-elected and unaccountable groups."

The essence of a corporatist state is not who runs the corporations (ie whether elected or not), but whether the individual is forced to "buy" from them or not. It is the individual's freedom to seek another supplier which is incompatible with corporate power.

The present education system allows a wealthy parent who is unhappy with his or her child's education to either move house or pay school fees. A poorer parent must take what is given. The Assisted Places scheme provides an alternative for some parents, and the new proposals would widen parental choice still further.

The *right of* a school to opt out is a part of this process. Where a school has obtained the consent of its parents to opt out, the governors may *or* may not be elected; but they would certainly be more accountable. Parents who have the power to choose another school have much more power than those who must rely solely on a vote every four years or so. They have a power which has traditionally been held only by parents who are wealthy enough to opt out of the state sector altogether.

Turning to the housing proposals, Professor *Jones and* Mr Travers mention only part of the Conservative Party's proposals. It would be difficult to argue that the sale of council housing and the (rather too limited) *loosening of the noose* around private rented housing have the *effect of centralising* power.

The point they do mention—the proposed right of council tenants to choose their landlord — they describe as simply transferring state (local authority) assets to a "non-elected institution" at a "knock-down price." *Again they fail* to mention that it will be a matter of choice for the individual tenant. If he or she doesn't choose to remain with the local authority, it will be because it is not a good landlord — however "democratic" it may be.

It is possible that the right to change landlords will not have to be exercised. The very existance of *this right may force* local authorities to be more receptive to the needs of their tenants. A landlord, whether public or private, can only afford to be imperious with its tenants where those tenants have no choice other than to grin and bear it.

As for being "left isolated facing central government," it would be more accurate to say that an individual who has the right to choose, will be free to live his or her life without having to *go cap in hand to* either local or central government: or anyone else for that matter.

Marc S. Living,
294 Merton Road SW18.

Privatise water

From Mr J. Hanshaw.

Sir,—I wholly support your editorial on privatisation's next phase (June 3) but for the fear that you, together with the Alliance and *Labour* Parties, appear to be promoting the idea that river basin management and water/environmental quality would deteriorate if subjected to ownership interested in making profits.

Our water industry infrastructure is in an advanced state of decay through decades of neglect under public ownership irrespective of which political party has held power and the quality of the service provided is (with a few notable exceptions) abysmal.

One regularly reads of the dangers of swimming in our coastal waters polluted by the discharge of virtually raw sewerage into them by our water authorities. Coastal seafoods, once an enjoyable delicacy, are now a potential health hazard.

In 1986, for example, 20 per cent of the water authority's sewerage treatment plants were in breach of their legally binding discharge *consent* conditions. Furthermore the domestic water quality in several parts of the UK does not even come up to the comparatively low minimum standard established by the World Health Organisation as a guideline for under-developed countries.

Presumably the water industry has its own reasons for this *state of affairs but the point* remains public ownership has not proved particularly praiseworthy nor something to be protected in the so-called public interest.

It is significant that many leading industrialists, not normally considered the environmentalist's darlings, are highly critical of the continuing *decline, calling for major* improvements and proper enforcement of environmental legislation despite the obvious fact this might add to their own costs.

Managers of private enterprise may not be paragons of virtue but many are highly responsible, concerned individuals and at the very least they can be *made to comply* with the law, in water's case against readily available, easily provable evidence, or be fined or be *stopped* from trading. And any private enterprise manager worthy of the title today understands the fundamental imperatives of constantly maintaining and upgrading the assets under his control in order to maintain the quality of his product or service at the highest possible level.

Water need be no exception. If the objectives, strategies and systems are properly thought out beforehand, privatisation will lead directly to massive capital investment in the industry over several decades (real job creation), better domestic water quality and a cleaner coastline.

James Hanshaw,
Jandola,
Peachfield Road,
Malvern, Worcs.

Taxmen and the poll tax

From the General Secretary, Inland Revenue Staff Federation

Sir,—In haste I write to correct Mr Jimmy Burns' unhappy error in *his* article (June 8) on our campaign against the poll tax.

We most certainly do not in our members leaflet refer to the Conservative Party as the "Monster Raving Looney Party." Abuse is not our style. There is (on reflection) a not terribly good attempt at humour in a section which reads: "What do the other parties say? The Monster Raving Looney Party has yet to make its policies clear, but the other parties—Labour, Liberal and SDP—have given a lot of *careful consideration to the* whole issue," followed by what we hope is a fair statement of both the Alliance and Labour positions.

The poll tax is a serious matter in terms of both tax policy and democracy because of its link with the right to vote. It has not so far received the public attention it should *My impression is that questions* on it have been avoided by Conservative speakers. Perhaps this is unsurprising given that in 1983 they said that a poll tax would only be suitable to use in combination with other taxes and would be regressive and face serious collection problems if not set at a very low figure—as of course it is in Canada, Japan and Switzerland where it is £3-£9 a head. The Government is planning £150-£750 a head.

It is not difficult to under*stand* why the Tory Reform Group last March said: "The proposed community charge ... is misconceived ...".

Tony Christopher,
231 Vauxhall Bridge Road SW1.

Qualifications for office work

From Mr D. Smith

Sir,—The suggestion that vocational qualifications for office work should be replaced by A levels (National Institute's quarterly review, May 28) is ill-conceived. Replacing vocational qualifications that certify practical, work-based skills with the academic and theoretical approach of A levels makes no sense at all. If it were put into effect, it would strike at the roots of the work of the National Council for Vocational Qualifications which is currently coming to grips with, among other things, the practical specification of com*petence for the performance of* the day-to-day work in various office-based occupations.

It's also debatable whether the present system of single-subject and group examinations has served the country altogether badly. Although the strands may be rather tangled, the system has flexibility, adaptability and cost-effectiveness in its favour. It's important to employers that examinations can be standardised efficiently. The system allows students to choose subject areas of special interest while retaining the option of combining them into related groups for integrated group awards. The London Chamber's commercial education syllabuses have all

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been developed in close consultation with the business community and represent, we would submit, a "clear and coherent set of vocational qualifications" for office work.

YTS has an important training role to fulfil, but it is unrealistic as the study says to expect YTS to supply all future requirements for clerical and office staff. Nor will YTS supply too many entrants for LCCI qualifications at the higher and professional levels. But to say *that up to now,* office staffing requirements have been met largely by entrants with basic level and/or irrelevant qualifications is not entirely true. Over 8,000 successful candidates for LCCI group secretarial awards in 1986 suggest otherwise.

David Smith
(for Director,
London Chamber of Commerce and Industry Examinations Board),
Marlowe House,
Station Road,
Sidcup, Kent.

FINANCIAL TIMES

Wednesday June 10 1987

Bernard Simon reports on Canada's accord over Quebec

Mulroney earns political break

NO-ONE can be more relieved than Prime Minister Brian Mulroney at last week's historic agreement bringing Quebec into the Canadian constitution.

Besides being a triumph of personal diplomacy, the accord has given Mr Mulroney a badly needed break from the political doghouse to which his government has been consigned for most of the past 2½ years.

The question is whether the accord between the Federal Government , Quebec and Canada's nine other provinces is a flash in the pan for the Prime Minister or the start of a real political comeback before the next general election, due to be held within the next 2½ years.

Mr Mulroney's Progressive Conservative party cannot go much lower in public esteem. Since their September 1984 election landslide (when they won three-quarters of the seats in the House of Commons), the Tories have sunk to a dismal third place among the three main parties in every major public opinion poll.

The latest Gallup poll shows them with only 26 per cent of public support, compared with 42 per cent for the Liberals and 30 per cent for the left-leaning New Democrats.

With the economy strong and few issues to ignite voter emotions, much of the blame for the Tories' slide has been laid at Mr Mulroney's door. His indecisiveness and inexperience at the start of his term of office alienated many in the business community who were looking to the Tories for firm action to reduce public sector demands on the economy.

The slowdown in the oil and wheat-based economy of western Canada has created regional animosities. Government efforts to win support across the country by handing out contracts, industrial development grants and other favours have created more problems than they have solved.

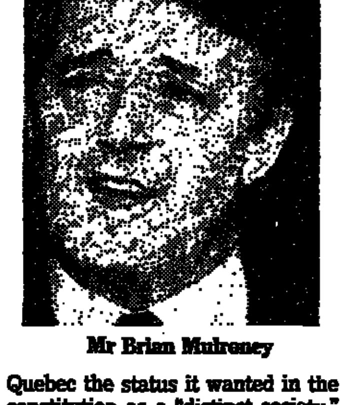
Mr Mulroney's credibility among Canadians has been seriously undermined by a succession of petty scandals which have led to the resignation of six Cabinet ministers since the Tories took office.

By contrast, the negotiations leading to last week's accord on Quebec have at last given the Prime Minister an opportunity to show his strengths.

Mr Mulroney, a trained lawyer, won his spurs before entering politics as a skilled labour negotiator. As an English-speaking (but bilingual) Quebecker, he has a foot in both English and French Canada.

These attributes have been much in evidence in the past month as he has tried to find common ground between the Federal Government, Quebec and the other nine provinces.

Mr Mulroney kept the 10 provincial premiers at the negotiating table for 20 hours last week before emerging with a deal which gave



Mr Brian Mulroney

Quebec the status it wanted in the constitution as a "distinct society," without appearing to drive a new wedge between the French and English parts of the Canadian federation or seriously detracting from existing federal powers.

The agreement – which must still be ratified by Parliament and the provincial legislatures – has for the time being enabled the Prime Minister to turn the tables on his opponents. The leaders of both main opposition parties have applauded it.

Not to have done so would have risked losing support in Quebec, whose volatile voters elect a quarter of the members of Parliament.

Mr Mulroney can also take comfort from a deep rift in the Liberal caucus on the constitutional settlement. A small but vociferous group of Liberal MPs have broken ranks with their leader, Mr John Turner, to support former Prime Minister Pierre Trudeau's argument that the accord may weaken federal institutions and widen the gulf between Quebec and English-speaking Canada.

The Prime Minister has wasted no time trying to consolidate his success. He went on national television last Thursday to state his case that "there were two Canadas emerging when this government took office. Now there is one Canada – strong and united."

But translating Mr Mulroney's achievement into more durable respect among voters will not be easy. The Tory Government has nailed its colours to two contentious initiatives which will probably become hotter political issues than Quebec's role in the constitution as the next election approaches.

On June 18, the Government will unveil proposals for sweeping tax reforms. Although it will find widespread support in a call for cuts in basic income tax rates, political opponents and special interest groups are likely to resist fiercely the suggestion of a hefty new indirect tax

Meanwhile, negotiators from Ottawa and Washington are working to a tight deadline to conclude talks on an historic US-Canada free trade agreement by the end of the summer.

Ministers struggle to agree EC policy on airlines

By Tim Dickson in Luxembourg

EC TRANSPORT ministers yesterday made heavy weather of their latest effort to promote greater competition among European airlines.

Plans to encourage more flights between so-called "hub" airports like Heathrow, London, and Charles de Gaulle and regional destinations encountered particularly turbulent opposition from Greece, Spain, Italy and Denmark, all of which insisted on a large number of domestic exemptions from the new regime.

Ireland and Denmark, meanwhile, complained that another part of the proposed package was not sufficiently liberal, while further differences were expected to emerge in discussions on admitting new carriers to established routes.

As ministers continued to meet last night, EC officials were openly doubting whether there would be sufficient progress to meet the June 30 deadline imposed by the European Commission.

Another Transport Council is scheduled for a fortnight's time, but if a satisfactory political agreement cannot be reached by the end of the month, the Brussels executive is threatening to withdraw its package and simply pursue airline cartel practices directly under the competition rules of the Treaty of Rome.

Yesterday's bumpy negotiations followed several equally fraught attempts over the last year to agree measures which would modify the bilateral government-to-government capacity sharing arrangements which have long characterised the European air transport sector, to increase the number of discount fares, and to promote more competition on new and established routes.

Earlier discussions have resulted in broad agreement on cheaper fares and an end to the existing 50/50 capacity sharing deals – but market access remains the key sticking point.

Essentially there are three problems:

● Hub to region flights. A number of new ideas were advanced yesterday which would reduce the impact of liberalisation for the less enthusiastic member states. But as one Commission official pointed out: "Most of them simply amount to everyone getting their own way."

● Fifth freedom. This is the right for an airline in one member state to set down and pick up passengers in another before flying on to a third destination (e.g. Dublin-London-Paris). Both Ireland and Denmark insist that a final package must take these demands seriously into account, Greece is totally hostile to the idea, and others are distinctly lukewarm.

● Multiple designation. This means allowing more than one national carrier on to established routes though keeping the traffic within government-to-government capacity agreements.

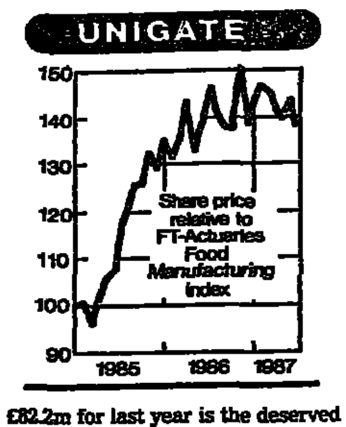
FT aerospace conference, Page 3

THE LEX COLUMN

Slimming is its own reward

A quick glance at Unigate's share price performance shows why it is easier for brokers to make a case for selling than buying. So although the company again delivered what the market ordered and more, in pre-tax profits up 24 per cent last year to £104.7m, the shares ended 3p lower at 412p on an otherwise buoyant day.

That reaction is rather unfair. Despite Unigate's rerating within the food sector, it still stands at a propective p/e discount of a point or two to the average. Admittedly the fast rate of Unigate's profit growth in recent years, a combination of removing fat from both Unigate and its products, must now slow. And the increasing expenditure will dampen the rate of return on capital in the short term. Property profits will slacken, the dollar's fall will do more damage in translating US profits, and interest charges could rise depending on the sale prices of the engineering interests. Even so profit rises should beat some of the lesser members of the sector und Unigate is demonstrably better managed than it used to be. Profit-taking may win out for a while, but further ahead Unigate should get the higher rating it deserves.



Metal Box

Pleasant though it would be to welcome Metal Box back to full health, the niggling doubts remain. To begin with, the Italian Job. Two years ago Neapolitan tomato farmers hit trouble; a year later Metal Box upped its investment to supply them with tin cans; and yesterday it announced closure and write-offs of almost £14m, on top of unspecified trading losses.

Then again, the saga of the Petainer, the plastic answer to the Coca-Cola can which has come to grief after years of development. Metal Box had always been too small compete with the big can makers, and the more recent aim to develop added value in plastics manufacture is wholly sensible. Yesterday's display of hi-tech plastic ketchup bottles and see-through grapefruit containers was impressive, but it is discouraging to see an early example of the principle failing in the US market.

The group's management is plainly chirpier than it used to be, and the 25 per cent rise in pre-tax to £82.2m for last year is the deserved result of pruning. Reckoning on £95m this year, the prospective rating at 288p is under 12, rather below the sector average. It is still up to the new chairman to prove the market wrong by turning the group's technical skills to commercial advantage.

Underwriting cartel

Having outspokenly contested the abolition of the brokers' fixed commission cartel, M&G is kicking the other way on the underwriting cartel. It may not be the first to point out that a set 1¼ per cent sub-underwriting commission fails properly to evaluate risk between different kinds of issue, but to volunteer to sub underwrite (in certain circumstances) for nothing at all is heretical indeed. For a large stakeholder like M&G, this is not so much a quid pro quo for pre-emption rights as a recognition that it is silly to pay itself commission. Smaller institutions without the close management relationships will understandably feel less secure about abandoning a nice little earner. M&G is nevertheless right to imply that it is only the acquiescence of corporate treasurers that sustains the cartel in its present form; those treasurers should, however, remember that what comes down can also go up in a less favourable underwriting climate.

Gold shares

With the South African gold mining index down 20 per cent since the April peak why are the traders not piling back in? The gold price should continue to move forward again on dollar weakness, and Anglovaal and Gold Fields of South Africa have just declared (respectively) estimated results and dividends slightly above expectation. But with the costs of production continuing to rise, and some labour disruption expected, it is not certain that the current year will provide a real dividend increase for overseas investors.

Gold Fields can adjust its grades faster than the other major houses and is thus winning most plaudits on fundamentals; however, this is a market ruled by fashion, witness Western Deep's recent journey from $45 up to $75 and back to $59. Net dividend yields are still well down in single figures which suggests the shares are already discounting a gold price back up at $480. And while South African multiples look attractive relative to North America or Australia, the smart money is cutting out the middle man and going straight into the metal.

Tie Rack

The silly face of capitalism was on view yesterday, waiting impatiently in the rain around the Bank of England for the chance to gamble on the latest hot new issue. For the record, Tie Rack's market capitalisation of £49.7m at the offer price compares with net assets last reported at £3.5m, and offers a notional yield and p/e of 1 per cent and 31.5 times respectively: the company has been making profits for all of three years. Just to add to the speculative element, the issue straddles the General Election, and the company is controlled by an anonymous Swiss-based trust which "has no present intention of either being involved in the management or seeking board representation."

The chances are that the issue will open at a fat premium, and that lots of people will make a little pin money. Maybe the company will avoid being rolled on by the big retail groups, and succeed in creating a long-term business for itself. But yesterday's crowds were in reality no more than a reflection of the casino mentality which emerges in a ripe bull market. Come to think of it, they would not have made a bad political advertisement for the Labour Party.

Pressure for review of UK policy on Syria

By Andrew Gowers, Middle East Editor, in London

BRITISH Government ministers are expected to be urged by senior officials to review London's diplomatic breach with Syria after the general election tomorrow.

Britain broke off ties with Damascus last October following the Hindawi affair, in which a Jordanian carrying a Syrian passport was convicted of trying to blow up an Israeli airliner, apparently with the backing of parts of the Syrian Government. London has repeatedly said since then that it will not reconsider the position until it receives convincing evidence that Syria has stopped supporting terrorism.

The Foreign Office said yesterday that relations with Syria would be a number of issues for review by a new Government, but cautioned against expecting any swift change in the British position. Mr Timothy Renton, the junior minister responsible for Middle Eastern affairs, was unavailable for comment.

It is understood, however, that there are reasons why the Syrian issue may be ripe for reconsideration after the election.

There has been mounting pressure from Britain's European Community partners for a softening of Britain's line. The EC suspended aid to Syria as a result of the break between the two countries, and has been forced to stop ministerial visits to Damascus.

However, Mr Leo Tindemans, the Belgian Foreign Minister and current chairman of the Community's Council of Ministers, is known to have wanted to visit the Syrian capital on one of his recent fact-finding missions to the Middle East. Other EC countries have also taken the view that Syria should not be kept isolated, on the grounds that it will have to be a key player in any international peace conference on the Middle East.

It has been reported that Syria has closed down the Damascus headquarters of the Abu Nidal terrorist group. Rumours of this kind have surfaced on a number of occasions before, but the most recent report – in a Jordanian newspaper – appears to have been given greater credence in the Foreign Office.

Officials say that this issue will have to be examined more fully after the election, along with such questions as the status of senior Damascus intelligence officials the British believe may have been implicated in the Hindawi affair.

Conservatives maintain strong lead as poll day approaches

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

UK PARTY leaders last night all stressed the crucial importance of tomorrow's general election in their final national appeals as further opinion polls confirmed that the ruling Conservative Partly still commands a strong lead.

Speaking only 15 miles apart in Harrogate and Leeds, in the north, Mrs Margaret Thatcher, the British Prime Minister, and Mr Neil Kinnock, the Labour leader, were agreed that the electorate tomorrow faced choices starker than in any election since the war.

Mr Denis Healey, the Labour Shadow Foreign affairs spokesman, last night raised the temperature of the campaign by saying that if Mrs Thatcher was re-elected tomorrow she would set the world "on a path to extinction."

Speaking at a Labour rally, he said Mrs Thatcher had displayed on television backward-looking bigoted fanaticism fired by hatred and aggression."

His comments came at the end of a long and heated day for Mr Healey in which he had been involved in rows over a television interview concerning a report in the Sun newspaper about an operation at a private hospital for his wife Healey.

Flying up to Yorkshire after her return from the Venice summit, Mrs Thatcher said it was "perhaps the most crucial general election of the century." She warned that Labour's "reckless policies" could destroy in a few weeks the prosperity built up by the Conservatives in the past eight years.

In Leeds, Mr Kinnock evoked the memory of former Conservative leaders to urge voters to reject the "different brand of Toryism" of Mrs Thatcher. He said she lacked the commitment to education, housing and the health service shown by every government since the war.

The Liberal-Social Democratic Alliance leaders last night sought to counter their continued flat poll rating in a last-minute appeal to voters at a rally in Westminster. Dr David Owen, the Social Democrat leader, said support for the Alliance tomorrow "could change not just the shape of the government, but the shape of all future governments."

He said Mrs Thatcher did not command the wholehearted support of the country since people voted for her out of fear and not out of enthusiasm. At the same time they were afraid that Labour would leave Britain defenceless.

The latest polls show little change from the recent pattern and provide no clear evidence of the late surge hoped for by either Labour of the Alliance.

A Gallup survey in today's Daily Telegraph puts the Tories on 41 per cent, Labour on 34 per cent and the Alliance on 23.5 per cent, one of its highest ratings of the campaign. A Marplan survey for the Today newspaper shows the Tories on 43 per cent, Labour on 35 per cent

Editorial comment, Page 24; UK industry and the election, Page 25

Komatsu president dismissed

BY IAN RODGER IN TOKYO

KOMATSU, the Japanese group that is the world's second largest construction equipment maker, has dismissed Mr Shoji Nogawa, its president for the past five year.

The move came at the instigation of Mr Ryoichi Kawai, the group's 70-year-old chairman, according to industry officials in Japan.

Mr Kawai was, apparently, concerned that Mr Nogawa, 60, a hands-on manager with a production background, had become too powerful within the company.

Mr Nogawa would say only that his departure as president was similar to his appointment – it happened very suddenly.

Mr Kawai said after the board meeting which effected the move that it was needed to establish a leadership able to cope with the strong yen and other deteriorating factors. The company's business was changing so quickly that Mr Nogawa's term should be considered as much longer than it actually was.

Mr Nogawa's leadership of Komatsu has been widely admired, even by arch-rival Caterpillar of the US, the world market leader.

The company has advanced confidently around the world, opening plants in the US and the UK, and it has pursued a strategy of diversifying away from dependence on the mature construction equipment sector.

It has also managed to maintain respectable profits despite the adverse effects of the high yen. Last year, group pre-tax profits were down by about a third to Y35.8bn ($249.6m).

Mr Kawai started his career in the 1950s in the heavy machinery export division of the Ministry of International Trade and Industry. He is known mainly as a lobbyist and salesman, and has been particularly successful in developing business in the Soviet Union for Komatsu. Mr Kawai's father built up Komatsu from its modest beginning as a captive machine tool builder for a mining company.

According to Japanese newspaper reports, Mr Kawai spent two weeks quietly lobbying the Komatsu directors and then, confident he had enough support, asked Mr Nogawa to resign just before the company's regular board meeting on Monday. Mr Nogawa, who was in the US visiting the company's new plant in Tennessee until last weekend, was taken by surprise.

Komatsu is a quoted company and not closely related to any of Japan's big trading groups. Its shares lost Y5 to Y875 yesterday on the Tokyo Stock Exchange.

Mr Masao Tanaka, 62, a Komatsu executive managing director and general manager of its overseas division, takes over as the group's president.

Co-operation pact is approved

Continued from Page 1

The remaining differences between governments were reflected in a decision not to publish the full text of the agreement. Senior monetary officials said that the US believes that publication would strengthen the value of the indicators, but the Bonn and London governments were wary of publishing anything that suggested formal target zones for exchange rates.

Officials said there were also problems over the role of the group of five nations in international co-operation. Italy and Canada, which are excluded from this group, are concerned to ensure that meetings of the five do not undercut yesterday's agreement.

Continuing disagreements over existing policies were reflected in several statements by government leaders yesterday, although they were toned down in the interest of unity at the summit.

The US and Britain expressed concern at the recent slowdown in growth in West Germany, with Mr Lawson suggesting that West Germany could cut its official interest rates by another half percentage point.

Several governments voiced anxiety over the prospects for further substantial reductions in the US budget deficit. European officials quoted President Reagan as forcefully rejecting any suggestion of tax increases in the US in order to achieve bigger cuts in the deficit.

Mrs Margaret Thatcher, the British Prime Minister, said that Japan should do more to open up its economy to foreign goods.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	21	70	Dubrovnik	S	26	79	Malta	C	25	77	Rhodes	S	26	79
Algiers	S	26	78	Edinburgh	C	11	52	Manchester	R	9	48	Rio de J'o	R	24	75
Amsterdam	C	15	59	Faro	S	19	66	Manila	C	34	94	Rome	C	21	70
Athens	S	33	91	Florence	-	—	—	Melbourne	R	14	57	Salzburg	C	15	59
Bahrain	S	34	93	Frankfurt	C	17	63	Mexico City	C	25	77	San Francisco	C	17	62
Bangkok	S	32	90	Funchal	C	21	70	Miami	C	27	81	Seoul	S	27	81
Barcelona	F	18	64	Geneva	R	17	63	Milan	C	23	73	Singapore	C	32	90
Beirut	S	27	81	Gibraltar	S	21	70	Montreal	R	19	66	Stockholm	C	15	59
Belfast	R	10	50	Glasgow	C	11	52	Moscow	S	24	75	Strasbourg	C	15	59
Belgrade	C	32	90	Guernsey	C	12	54	Munich	F	14	57	Sydney	S	20	68
Berlin	C	18	64	Helsinki	R	12	54	Nairobi	F	24	75	Taipei	C	25	77
Biarritz	F	15	59	H. Kong	C	25	77	Naples	F	30	86	Tangier	S	19	66
Bombay	D	28	82	Innsbruck	F	14	57	Nassau	S	31	88	Tel Aviv	S	26	79
Bordeaux	C	15	58	Inverness	F	10	50	New Delhi	C	42	108	Tenerife	S	25	77
Brussels	S	14	57	Islamabad	C	34	94	New York	S	31	88	Tokyo	C	30	86
Budapest	F	26	79	Istanbul	S	28	82	Nice	S	22	72	Toronto	C	28	82
B. Aires	S	21	69	Jakarta	R	33	91	Nicosia	S	31	88	Tunis	F	26	79
Cairo	S	33	91	Jersey	R	11	52	Oporto	C	17	63	Valencia	C	21	70
Cape Town	F	19	66	Jo'burg	S	18	64	Oslo	R	15	59	Venice	F	24	75
Caracas	C	27	81	Lima	C	22	72	Paris	C	17	63	Vienna	C	17	63
Casablanca	C	20	68	Lisbon	S	22	72	Peking	S	29	84	Warsaw	C	25	77
Chicago	S	33	91	London	C	12	54	Prague	C	15	59	Washington	F	24	75
Cologne	C	17	63	Los Angeles	C	24	74	Reykjavik	S	11	52	Zurich	R	10	50
Copenhagen	S	13	55	Luxembourg	C	13	55								
Corfu	S	27	81	Madrid	S	27	81								
Dallas	C	22	72	Majorca	C	20	68								
Dublin	C	12	54	Malaga	S	25	77								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Backing for Gorbachev

Continued from Page 1

quality of a relationship which is still possible."

The leader implied that the brighter horizons for East-West relations stemmed from Mr Gorbachev's internal and external policies which they were following "with great interest." The approving reference to Soviet internal affairs was both unusual and rather more cautious than some delegations wished.

West Germany pressed unsuccessfully for the inclusion of an appeal for greater economic collaboration between the two halves of Europe.

On arms negotiations, the declaration gave only general backing for US efforts to negotiate "balanced, substantial and verifiable reductions." Mr Shultz indicated that a fuller endorsement of the US position on removing medium and short-range nuclear weapons from Europe could be expected from the meeting of Nato foreign ministers opening in Reykjavik tomorrow.

Preparatory discussions on the statement and exchanges of impressions of Mr Gorbachev's Russia dominated the heads of government dinner on Monday evening. As a result, the Gulf issue, which some leaders feared would plague the summit, was completely overshadowed until the start of yesterday morning's meeting in the elegant 16th century library of the Fondazione Cini on the island of San Giorgio.

FINANCIAL TIMES
Wednesday June 10 1987

Big board shake-up at Hudson's Bay

Bernard Simon in Toronto

THE PROMOTION of a young member of Lord Thomson of Fleet's family to a senior position in the Thomson-controlled Hudson's Bay Company (HBC) has precipitated a management shake-up in the debt-burdened Canadian department store and property group.

An HBC official confirmed that Mr Iain Ronald, executive vice-president and one of the group's joint chief executives, had resigned following the appointment of Mr David Thomson as president of Zellers, one of HBC's department store chains.

The Thomson family owns 74 per cent of HBC, as well as an international network of publishing, travel and energy interests.

Mr George Kosich, until now HBC's other executive vice-president, has been named president and chief operating officer in charge of all merchandising operations.

Mr Neil Wood, president and chief executive of Markborough Properties, HBC's real estate subsidiary, will join the company's board and management committee.

The management committee of directors and senior managers has overseen HBC's affairs for the past 2½ years in the absence of a single chief executive.

HBC suffered a net loss of C$44.5m (US$34.2m) in the three months to April 30, including interest payments of C$56.5m.

The company, the oldest commercial enterprise in North America, is in the process of disposing of assets not related to its merchandising and property businesses. It has already sold fur sales operations in Canada and Britain, a wholesale division and a chain of stores serving remote northern Canadian communities. Debt has been reduced in the past year from C$2.74bn to C$2.38bn.

William Hall on the latest move by a US bank to provide against bad Third World debt and strengthen its balance sheet

BankAmerica confronts a capital issue

BANKAMERICA'S decision to bolster substantially its reserves against troubled Third World loans and take a $1bn second-quarter loss has underlined the group's urgent need to raise either several billion dollars of new capital or shrink significantly its balance sheet.

The San Francisco-based banking group, which was forced to omit its common stock dividend after losing over $800m over the last two years, announced late on Monday that it had increased its reserve for possible credit losses by $1.1bn to $3.3bn, or 4.8 per cent of total loans at the end of March.

The action met with a cool response on Wall Street where Bank America's shares fell $¼ to $11¼ in early trading yesterday. Mr Raymond T. Garea, president of Cates Consulting Analysts which specialises in monitoring the financial fortunes of major US banks, said that BankAmerica was already undercapitalised and the latest move "will have the impact of greatly reducing its capital base once again."

The decision to bolster its loan loss reserves means that BankAmerica has one of the strongest loan loss reserve ratios of any major US bank and its primary capital ratio of 7.4 per cent is the third-highest of the top 10 US banks. However, analysts note that the action will wipe $1bn off the group's already slim $3.36bn of common shareholders funds which supports assets of $99bn and non-performing loans of $5.5bn.

The group's ratio of equity capital to total assets has slipped to around 2.3 per cent which is less than half the average for major US banks. "In terms of any standard one wants to look at, be it regulatory or market, they do not have sufficient capital," said Mr Garea yesterday.

Mr Mark Gross, a vice president *of IBCA, a firm of bank analysts,* described BankAmerica's move as "positive" but said that it would put additional pressure on the group to raise additional capital.

The decision to increase its loan loss reserve ratio marks a major reversal in the attitude of one of the world's biggest international lenders which until now had stressed that unlike other major US banks it saw no need to bolster its reserve for loan losses from its current above average level of 3.17 per cent.

Mr Tom Clausen, former president of the World Bank who was brought in late last year to head the troubled group after his predecessor had been ousted, told the annual general meeting just over a week ago that the bank's loan loss reserve ratio was "appropriate" and he saw "no fundamental change in the economics of the situation."

However, the bank acknowledged that it had changed its mind "in light of recent events regarding international debt brought on by major additions to loan loss reserves made by Citicorp, Chase Manhattan, Security Pacific Corporation and other banks."

Citicorp's decision to report a $2.5bn second-quarter loss after *boosting its loan loss reserve ratio* by $3bn last month was welcomed by Wall Street which sent its shares sharply higher, and this has encouraged other major banks to take similar action which means that they are effectively writing down a *substantial proportion of the value* of their loans to troubled Third World countries.

"These large increases in loan loss reserves by major banks not only change the way developing country debt is viewed but potentially will affect the dynamics of how this problem will be dealt with," said Mr Clausen.

"This addition to our reserve will allow us to address the new uncertainties introduced by the changes in market perception and will strengthen our ability to help develop constructive solutions to the developing country debt situation."

Many analysts had believed that BankAmerica and Manufacturers Hanover Corporation, two of the biggest US lenders to the Third World, would find it difficult to match Citicorp's action because of the severe impact it would have on their balance sheets."

BankAmerica's decision, which will result in its reporting a sub*stantial loss for the third year run*ning and delay the restoration of the dividend, has refocused attention on Manufacturers Hanover whose exposure to heavily indebted Latin American countries is roughly twice its equity capital of $3.2bn.

*Manufacturers Hanover said yes*terday that "it's no secret that we've been considering some action since Citicorp made its announcement." However, it indicated that it was unlikely that the bank will make any announcement before its board *meeting next* Tuesday *when it* will also announce its next dividend.

Unlike BankAmerica, Manufacturers Hanover's shares have risen since Citicorp's dramatic announcement three weeks ago, and analysts say that, while a substantial increase in its loan loss reserves could have a serious impact on its balance sheet, it has more financial flexibility than BankAmerica which has sold off most of its best assets already.

BankAmerica, which is currently capitalised in the stock market at $1.7bn, has been trying for some months to raise $1bn of new capital, and it was unclear yesterday how its latest action would affect its plans. Analysts suggested that it re*tained several options ranging* from selling its large Seafirst regional banking subsidiary to attracting a group of substantial Japanese institutional investors as passive shareholders – a step that has again been mooted in recent days.

The additional reserve, when added to the previously established reserves and prior charge-offs applicable to the countries in question, amounts to approximately 25 per cent of the $10bn owed to BankAmerica by borrowers in the 45 countries.

"BankAmerica's fundamental recovery should be basically unaffected by this action although we expect that the reserve addition will have benefits for the company over the long term," said Mr Clausen, who added that his group was looking forward to "significant improvements" in its primary businesses of California banking, worldwide corporate and institutional banking and Seafirst Bank.

The group said that it expected to apply the additional substantial tax provision benefits resulting from the increased reserve against its operating income over time, after using its existing benefits.

Mr Tom Clausen: "appropriate reserves"

Maxwell frustrated in HBJ court move

By James Buchan in New York

MR ROBERT Maxwell's bid to overturn a defensive plan by Harcourt Brace Jovanovich, the US publishing giant, was yesterday brusquely rejected by a New York federal judge.

Judge John Kennan said in a written opinion that the UK publisher's effort to disrupt the payment of a special dividend to Harcourt Brace shareholders would have been unfair to "countless investors" if it had been upheld.

The opinion said that the British Printing & Communication Corporation (BPCC) had been unable to show "irreparable injury" if it failed to gain an injunction against the $40-a-share cash dividend. Last month Mr Maxwell withdrew a $44-*a-share hostile offer for Harcourt* Brace.

The dividend is part of a drastic recapitalisation plan adopted by Harcourt Brace to stave off Mr Maxwell. It involves taking on somed $3bn in debt to pay shareholders *the special dividend.*

BPCC's US attorneys have asked for a delay in the dividend payment until a complicated dispute is settled over the status of $200m Harcourt Brace convertible debentures, which are affected in value by the recapitalisation plan.

Caesars bid stalemate

BY JAMES BUCHAN IN NEW YORK

THE THREE-MONTH battle for control of Caesars World, the US gambling concern, has been stalemated with the rejection by a California court of the financing for a *$927m hostile offer from Mr Martin* Sosnoff, a New York investor.

Caesars World stock fell $¾ to $33¾ in early trading yesterday in response to the court ruling, handed down in Los Angeles late on Monday, that Mr Sosnoff's $35-a-*share offer violated federal rules on* the use of borrowings in takeover.

The court also ordered Caesars World's management to delay for at least a month a shareholders' vote on its own counter-offer, set for Friday.

The management's offer consists of a recapitalisation of the kind now in vogue on Wall Street. The plan *involves the payment of a $26.25-a-*share cash dividend and stock in the heavily indebted company, which the market believes would be worth over $8 a share.

The judge's ruling is based on a regulation of the Federal Reserve *Board, promulgated* last year amid concern at highly leveraged bids involving the use of low-grade bonds (known as "junk bonds") secured on the target company's stock.

Chilean forest group wins bankruptcy case

BY MARY HELEN SPOONER IN SANTIAGO

A CHILEAN appeals court has returned control of the Industri*as Forestales (Inforsa), the for*estry products company, to its original management and abruptly suspended bankruptcy proceedings sought by Spain's Banco Exterior.

The move comes just a week *after Chile's courts had declared* Inforsa bankrupt, halted its share trading on the Santiago Stock Exchange, and appointed an outside administrator to manage the company.

Banco Exterior has lent Infor*sa and a subsidiary of Spain's* Manuel Isidro Tejevor (MIT) group US$50m for the construction of a cellulose plant in southern Chile. The plant has been plagued by cost overruns estimated at equal to the original *costing.*

This has caused disputes between the MIT and Compania Manufacturera de Papeles y Cartones (CMPC), Inforsas parent.

Seagram lifts earnings

BY ROBERT GIBBENS IN MONTREAL

SEAGRAM, the Canadian drinks group, has reported that its liquor and wine business turned around sharply in the first quarter ended April 30, bringing a sharp gain in earnings.

Liquor and wine sales were up almost 28 per cent to US$832.1m from a year earlier, leading to a gain of 72 per cent in operating income and after-tax income of US$34.5m, up from US$15.1m a year earlier. Favourable exchange rates also helped.

Including dividends, totalling US$39.5m, from Seagrams' 22.5 per cent holding in DuPont, against US$37.8m a year earlier, and equity in DuPont's unremitted earnings of US$41.7m against US$47.2m, total net income was US$115.8m, or US$1.21 a share, against US$99.4m, or US$1.04, a year earlier.

At the annual meeting late last month, Mr Edgar Bronfman, the chairman, said the long decline in US liquor sales had bottomed out and the world's largest distiller expected higher profits for all fiscal 1988.

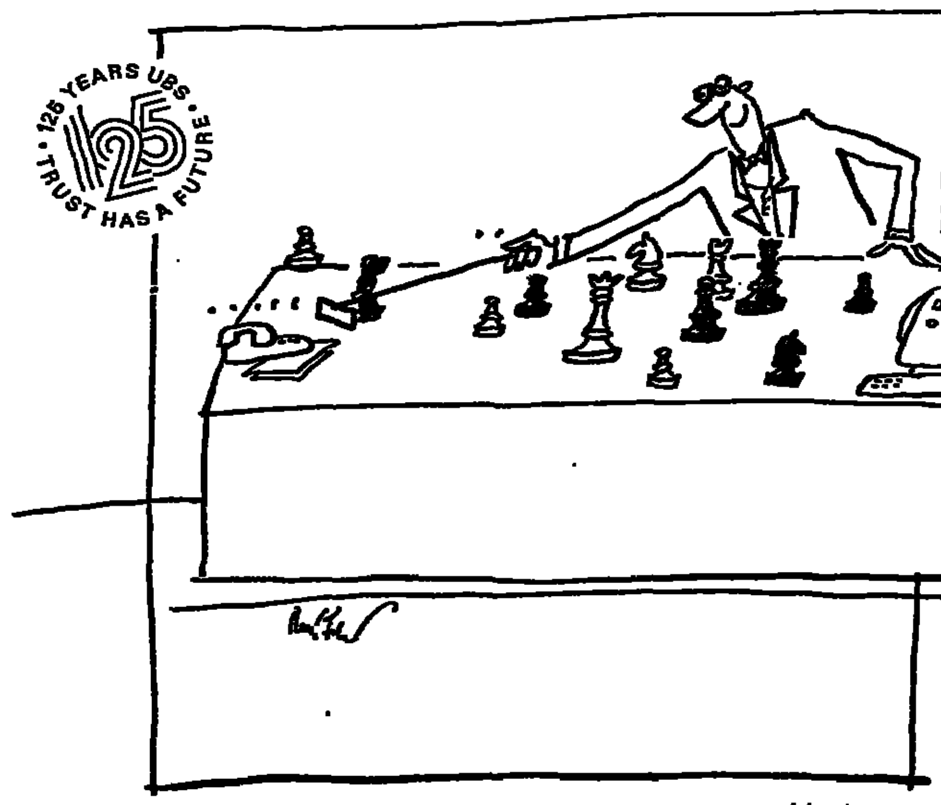
In the year ended January 31 the company earned US$423.5m, or US$4.45 a share, on revenues of US$3.34bn.

Noranda to shut Quebec mine

By Our Montreal Correspondent

NORANDA, the Canadian resources group, says it will not reopen its Gaspe Copper Mines operation in north-eastern Quebec because of a recent fire, which caused more than C$30m (US$22.32m) *damage. Low copper prices are also* to blame.

However, the Gaspe smelter will continue using concentrates from Chile and elsewhere.



The embattled Swedish antibiotics and chemicals group holds its annual meeting today. **Kevin Done** sets the scene

Fermenta shareholders to cast their vote on a costly future

IT IS not yet quite high noon in Sweden's worst business scandal of the post-war era, but today's annual meeting of Fermenta, the embattled Swedish antibiotics and chemicals group, will show just how seriously the country's business establishment intends to act in cleaning up the debris.

At issue is whether the new board and top management will have the determination to pursue their now discredited predecessors through the courts for damages, a move unprecedented in the annals of corporate Sweden.

The old Fermenta board, which resigned *en bloc* at the end of last year, as the first details emerged about the extent of financial manipulation and mismanagement in the company, had earlier been called the "most professional board" in Sweden.

Gosta Bystedt: attacked over chairmanship

Gathered together by Mr Refaat El-Sayed, the driving force behind Fermenta's spectacular rise and fall during the last five years, it included some of the top names from Swedish business, such as Mr Gösta Bystedt, deputy chairman of Electrolux and Mr Ove Sundberg, formerly chief executive of KemaNobel.

Successive investigations by the company itself, its auditors, the Stockholm Stock Exchange and a special auditor appointed to safeguard minority interests in the company have put much of the blame on to Mr El-Sayed himself, the Egyptian-born entrepreneur and once the richest man in Sweden, who is already facing personal bankruptcy and is under criminal investigation.

In the last couple of weeks, however, two reports have been published, which would appear to ensure that many of the former Fermenta board members will also have to account to the courts for their stewardship of Fermenta.

The Fermenta scandal has already sent shock-waves through other boardrooms in Sweden, as it has dawned on those holding comfortable sinecures that they personally may be held financially accountable, if events turn sour and they can be shown to have been negligent in their duties.

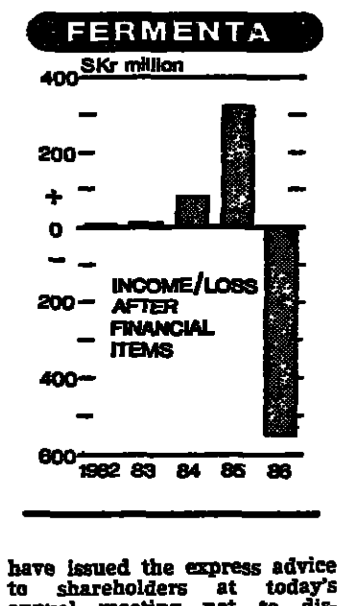
It is an uncomfortable truth that has dawned not only on the representatives of capital, but also of labour. Under Swedish co-determination laws, the workforce is entitled to minority representation on corporate boards, but now through the Fermenta scandal, it has become apparent that the employee representatives on the board are just as vulnerable to damages claims as other members elected by shareholders.

Since the Fermenta scandal broke in its full enormity at the end of last year and the directors resigned, the unions have shied away from nominating any members to the new board.

At the same time there has been a boom in Sweden of sales of liability insurance for directors and officers, a relatively new phenomenon in the country. Ironically, the old Fermenta board had discussed taking out such a policy many months before the group was plunged into crisis last year, but no action was taken.

New Hampshire, an insurance company specialising in such policies, estimates that about 50 per cent of publicly-quoted companies in Sweden have this cover compared with barely 10 per cent five years ago.

The pressure on Fermenta's new board and on Industrivärden, the investment company (associated with Svenska Handelsbanken) which is Fermenta's largest single shareholder controlling about 46 per cent of the votes, to take court action against the old board has become almost irresistible in the last two weeks.



Fermenta's external auditors have issued the express advice to shareholders at today's annual meeting not to discharge the old board and the managing director from liability for their administration of Fermenta during 1986.

Instead of the usual perfunctory couple of paragraphs approving the income statement and the balance sheet, the auditors issued a 24-page appendix detailing the often chaotic way in which Fermenta's affairs had been run.

For the auditors it is clear that legal advice should now be sought by Fermenta to allow the new board to pursue its investigation of Mr El-Sayed and Mr Sundberg, who both served as managing director for periods during 1986, as well as against eight other board members.

The harshest judgment was delivered last week, however, by Mr Magnus Lindahl, the Stockholm lawyer, appointed earlier this year to act for the minority shareholders.

In a 72-page report, he issued a scathing indictment of Mr El-Sayed, who had "systematically abused" his "extraordinarily strong" position in the company in an "unprecedented" manner.

Mr Bystedt's conduct of the chairmanship of Fermenta had been "deficient" in many respects, said the special investigator, while Mr Sundberg must bear responsibility for many of the unsatisfactory events that occurred while he was chief executive last year.

While Fermenta's sorely tried shareholders mull over the extent of legal action against the old board, they must also face up to the thorny question of whether to pump yet more money into the company. Fermenta is still teetering dangerously close to financial collapse.

A rescue plan agreed with the banks and a group of financial institutions and Swedish companies earlier this year has alleviated the immediate liquidity crisis, but the company's future is still hanging on a narrow thread.

The management is currently trying to raise SKr 346m ($55m) from shareholders. But in the recently issued prospectus it is able to provide precious little logic for supporting the issue, other than the threat that failure to subscribe could render shareholders' existing shares worthless.

For shareholders who have already seen their shares plummet from a peak of about SKr 300 to less than SKr 10 in the last 18 months and who saw forecast profits of SKr 1.5bn for 1986 melt away into a loss of SKr 541m, such threats must by now have a hollow ring.

Kymmene earnings up sharply

BY OLLI VIRTANEN IN HELSINKI

KYMMENE, the Finnish forest industry group which is building a $300m paper mill in Scotland, lifted profit before appropriations and tax from FM 50m to FM 325m ($74m) for the first four months of 1987.

Turnover declined from FM 2.58bn to FM 2.28bn due to disposal of Strömberg, its power technology division, to Asea of Sweden.

The disposal of the less profitabe Strömberg contributed to the improved result, said Mr Casimir Ehrnrooth, the chairman. However, he also stressed the impact of increased demand in nearly all pulp and paper grades.

Kymmene raised output of paper from 496,000 tonnes to 548,000 tonnes during the four months. Pulp production rose by 6 per cent and sawn goods by 40 per cent.

Kymmene is in the middle of a big investment programme with FM 3bn earmarked for new production facilities between this year and 1989. The total investment for this year which includes first instalments for the Caledonian Paper Land, the LWC plant in Scotland, will top FM 1.3bn.

The group, which made a profit after appropriations and tax of FM 311m in 1986, is expected to achieve a strong upturn in earnings for 1987 as a whole.

● Valmet, the state-owned group, is to acquire control of the papermaking machine operations of Ahlstrom, a privately-owned company.

Valmet will take a 70 per cent stake in the Ahlstrom unit. The deal will lift Valmet's share of the world papermaking machine market to around 30 per cent.

Ikea Svenska disposes of bank holding

By Our Financial Staff

IKEA SVENSKA, the Swedish furniture company, has sold its 22.6 per cent holding in Jamtlands Folkbanken, the provincial bank, to Foreningsbankernas Bank which is affiliated to the farmers' co-operative.

Ikea said it sold its stake because a planned co-operative scheme with Denmark's Den Kopenhavnske Bank and Norway's Oslo Handelsbank had been "impossible to carry out."

Sabena confirms talks on co-operation with SAS

BY OUR FINANCIAL STAFF

SABENA, the Belgian airline, would not be forced into a full merger with Scandinavian Airline Systems, as SAS had said it wanted, said Mr Carlos van Rafelghem, the Sabena president, yesterday.

Talks on co-operation between the two airlines would go ahead this weekend unless SAS indicated to the contrary, he said.

Mr van Rafelghem reaffirmed that co-operation with SAS would cover only airline activities, and not other interests such as catering, and that Sabena was not prepared to be merged fully into SAS.

Mr Van Rafelghem said he hoped to dispel ambiguities and quell press speculation that this weekend's meeting might not take place, after comments last week by Mr Jan Carlzon, head of SAS, on Swedish television that the talks would have to aim at a complete merger between the two companies.

"Our entire offer is still on the table . . . but Sabena will not depart from the conditions it has already stated," Mr van Rafelghem said.

Haig Simonian examines prospects for a new market in Germany

Frankfurt studies the options game

LAST WEEK'S news that bankers in West Germany, one of Europe's more conservative financial markets, are seriously considering financial futures and options shows how strongly the winds of change are blowing, after the success of new financial futures markets elsewhere in Europe and London's growth as a European equity trading centre.

German money-men are worried that if they fail to offer futures and options on their own shares, some other market, notably London, may do it for them. And they are especially concerned that cash equity business is likely to follow where futures and options lead.

More immediately, the Germans have been spurred by the apparent success of the new Swiss Options and Financial Futures Exchange (Soffax), which should be running by the beginning of next year.

The Germans have set up a special options committee of the Frankfurt stock exchange—the country's leading bourse—made up of representatives of Deutsche Bank, Dresdner Bank, Commerzbank and Deutsche Girozentrale, under the chairmanship of Mr Rolf Breuer of Deutsche Bank.

In February, the committee commissioned Arthur Andersen, the international accounting and consultancy group, which acted as midwife to Soffex, to prepare a preliminary study into the feasibility of a German equity options market.

The committee cannot have failed to notice the similarities between what was being done in Switzerland and what might be required domestically. Germany's eight regional stock markets are hardly renowned for their co-operative spirit, and the question of whether the Soffex system, designed round regional markets, could be "migrated" was obviously central at the outset.

The Swiss overcame regional rivalries between the Zurich, Geneva and Basle bourses by making Soffex a fully automated, computer-based system allowing access irrespective of location rather than an actual trading floor in any one centre.

Indeed, it would seem obvious for the German exchanges to enter into negotiations with the owners of Soffex, the big three Swiss banks and bourses, on using proprietary products, like computer software, that have already been designed should the Germans eventually decide to take the plunge.

However, that is still a long way off. As matters stand, the preliminary study on a new German market, is no more than "a project definition study, as an immediate precursor to detailed examination and resolution of the significant issues," according to Mr Stephen Kingsley, an Arthur Andersen partner in London.

The report, which will not be ready until the end of this month or early July, will simply identify the potential obstacles, and leave it up to the German committee, no doubt in consultation with the regional bourses and the Bundesbank, to decide whether to go ahead.

That is by no means a foregone conclusion, for immense changes will be required. Equity options already exist in Germany but these are not traded, nor cleared through an independent clearing house, but simply transacted on a matched bargain system.

The main obstacle to traded equity options in Germany — as it was in Switzerland — is the way physical equities are traded here. German stock exchanges use a matched-bargain system to set share prices when buy and sell orders are brought together during their short official opening periods.

Matching bargains has its advocates, notably Mr Michael Hauck, chairman of the Frank furt stock exchange, who maintains it offers greater transparency than using market-makers.

But matched bargains are useless when it comes to equity options, as they need continuous trading in the optionable shares and a specialist-based market-maker system.

The key question facing the Germans is whether they will follow the Swiss and embark on what is little short of a revolution in the way shares are traded at present. The Swiss have already accepted that trading in the 13 optionable shares on Soffex will be done on a continuous market-maker basis.

A host of other, highly charged, questions will also need to be addressed. For a start, there is the actual legal standing of futures and options, which is fuzzy at best.

It is no coincidence that the German committee's sudden decision to go public last week coincided with a letter from Mr Wolfgang Roeller, chief executive of Dresdner Bank and the newly-elected chairman of the German Federation of Private Bankers, to leading ministers in the Bonn Government arguing the case for a new market and outlining the legislative changes required.

Action may also have to be taken on the present ban in Germany against going short. Taxation could also be a problem, while the question of the legal enforceability of options contracts is uncertain. The Germans may even have to adapt their persent system for clearing shares.

It is a breathtaking list. Mr Breuer thinks a new market can be set up within one and a half years subject to regulatory and legal changes.

He may be optimistic. Financial reforms as important as the removal of the Boersenumstazteuer, the stock exchange turnover tax, which was promised in January's election campaign, have fallen four of other fiscal priorities. The legislators have plenty on their plates at present, not to mention the cries of "speculation" that are bound to fly.

There is also the question of getting all eight German bourses to pull the same way. That could take some doing however strong the role of the country's big banks in the equities business.

In the end, it will probably come down to how much those concerned want to make the new venture work. With similar obstacles to cross, the Swiss success was "a function of the unilateral support" from the banks, bourses and the Government—the three key parties involved—according to one person closely involved in the project.

That support will be as important in Germany. The danger is that the "will to win" may be weaker here, given what is probably the relatively lower importance of a new equity options market in the overall German financial scene.

Barclays to sell Italian credit unit

By Alan Friedman in Milan

THE MILAN-BASED Italian subsidiary of Britain's Barclays Bank is preparing to sell Fiditalia, its consumer credit business.

Barclays, which following heavy losses in 1985 has been restructuring its Italian operations and concentrating mainly on corporate business, is understood to have held talks about Fiditalia with the Rome-based Banca Nazionale del Lavoro (BNL).

It is not known whether BNL or another Italian bank will eventually acquire the consumer credit business, which at the end of last year had a network of 18 branches throughout Italy. The consumer finance business was formed by Barclays in 1981.

At the end of 1986 Fiditalia had around 93,000 clients with car, home improvement, office equipment and other loans. Total outstanding credits, many of them revolving, came to around L361bn ($277m) at the end of last year. Bad debts arounted to 1.7 per cent of this total.

With 18 branches located up and down the Italian peninsular (including locations at Bolano in the Alto Adige and Catania in Sicily), the Barclays consumer business is seen as potentially attractive for Italian banks wishing to diversify into more retail banking activities. This, at least, is believed to be the thinking of Mr Nerio Nesi, chairman of BNL, which is Italy's largest state bank.

Uncertainty over Minebea bond confuses markets

BY CLARE PEARSON

CONFUSION surrounded the fate of a $100m equity warrants Eurobond for Minebea, the Japanese ball bearing company, yesterday as rumours circulated that the lead-manager, Daiwa Singapore, was planning to withdraw the issue.

The bond had originally formed part of a two-tranche $200m issue for the company, launched last week. Nomura International, which was leading the European tranches, decided to withdraw its portion of the issue last Friday after a very weak trading performance.

Such a withdrawal is believed to be unprecedented in the Eurobond market in the case of an issue for a Japanese company. Daiwa said at the time that it was keeping the Asian tranche in the market, but relaunching it with adjusted terms.

Daiwa Europe, the group's London arm, refused yesterday to comment on a news agency report that this tranche, too, might be withdrawn. An executive said the issue was going ahead and final terms would be set tomorrow. He added that the underwriting group for the issue was not yet in place.

The bond was quoted on a brokers' screen at a discount of less 10, offered only, yesterday morning. Dealers had speculated when the European tranche was withdrawn that Minebea had expressed concern about the low prices at which its bond was trading.

The Venice summit of leading industrial nations continued to preoccupy Eurobond dealers, though an agreement among the heads of government to strengthen economic co-ordination was expected to have little effect on the market.

Trading in the Eurodollar bond market was confined to professionals, and dealers said tomorrow's British general election and the prospect of key US economic data due on Friday were factors likely to limit activity for the rest of the week.

INTERNATIONAL BONDS

A slight firming in prices of shorter-dated fixed rate bonds formed the only feature of the lacklustre Eurodollar bond market. Shorter-dated bonds have attractive defensive characteristics in an uncertain environment.

Union Bank of Switerland (Securities) took advantage of the upturn in these maturities with a $200m two-year deal fir GMAC.

The 8½ per cent bond, priced at 100⅛, provided an initial yield of 55 basis points over the comparable US Treasury bond. Dealers said it met fair demand, and it was quoted as less 1¼ bid, the level of its total fees.

Credit Suisse First Boston meanwhile led a $75m 10-year convertible issue for Pacific Dunlop, the diversified Australian group involved in tyre manufacture and retailing, and the production of medical gloves and condoms.

The coupon on the bond was indicated at 6½ to 7 per cent, and the conversion premium at 20 to 25 per cent. The callable deal was quoted at prices close to its par issue price.

A single Japanese equity warrants bond emerged: a $150m five-year deal for Tokyu, the diversified services group. The bond, with an indicated 1¼ per cent coupon, traded at about 4½ points above its par issue price. It was led by Yamaichi International (Europe).

Two new Euroyen bonds emerged, despite dull trading in this sector, which has become weighed down with new paper.

Mitsubishi Finance International led a Y20bn seven-year 4¾ per cent issue for Eurofima, priced at 101⅝, while Yamaichi International (Europe) brought a Y30bn five-year 4¾ per cent bond for State Bank of Victoria, priced at 101½.

The Australian dollar market, too, was looking weaker under the weight of recent offerings, although dealers said they were still finding reasonable buying from West German retail accounts of bonds for borrowers with which they were familiar.

NordLB led an A$50m four-year 13¾ per cent bond for itself, issued through a finance vehicle. The bond, priced at 101⅜, traded at less 1⅞ bid, the level of its total fees.

Daiwa Europe led an Ecu 50m seven-year 7½ per cent bond for Swedish Export Credit, priced at 101⅞.

Svenska Handelsbanken led a LFr 300m seven-year 7⅞ per cent private placement for Scandinavian Airlines System, priced at 100½.

Riyadh exchange closed

BY FINN BARRE IN RIYADH

LESS THAN a month after Saudi Arabia's new stock trading floor opened in Riyadh, the market has been closed indefinitely because of technical and procedural problems.

The long-awaited Central Trading Hall was opened on May 11 under the jurisdiction of the Saudi Arabian Monetary Agency (Sama). It provided the kingdom's stockbrokers their first chance to trade shares face-to-face.

A computerised dealing system hit almost immediate problems, however, and in the first week the floor opened, the number of shares traded fell from the average of more than 200,000 units to just 102,304, with a decline in value from around 30m riyals ($8m) to 12.5m riyals.

Trading levels then began to recover, but brokers said some sort of disagreement over the hall had also arisen between between the Ministry of Finance, under which Sama falls, and the Ministry of Commerce.

No date has been set for re-opening.

Five gold mines pay more

BY JIM JONES IN JOHANNESBURG

FIVE of the seven gold mines managed by Gold Fields of South Africa (GFSA) have lifted their final dividends for the year

Vlakfontein, smallest of the producers which exists by re processing old dump material, is opening underground workings on a neighbouring property and has cut its payout. Doornfortein, which is completing a five-year underground development programme, is concerned that stodgy gold prices might affect the programme's financing.

Driefontein Consolidated, biggest of the group's mines, is engaged in the largest developments. It is sinking six shafts to gain access to deep ground in the south of the property and far shallower ground in the north where ore grades are high.

GFSA GROUP DIVIDENDS
(Cents per share)

	June 87	Dec 86	June 86
Deelkraal	40	25	35
Doornfontein	145	110	145
Drie Cons	210	145	190
Kloof	80	60	70
Libanon	250	175	245
Venterspost	190	120	110
Vlakfontein	30	15	45

Sharp increase in profits for Procordia

By Sara Webb in Stockholm

PROCORDIA, the Swedish state holding company due to be partially privatised this autumn, has registered a strong increase in profits for the first four months of the current year, aided by higher earnings at its medical and publishing companies and the inclusion of results from its two breweries.

The increase comes in spite of the government price freeze which has affected Procordia's food, hotel and restaurant business areas.

Profits (after financial items) increased by 57 per cent to SKr 351m ($55.8m) from SKr 223m in the comparable period last year. Procordia repeated its full-year forecast of profits (after financial items) of SKr 1bn.

Group revenue rose 12 per cent to SKr 5.06bn from SKr 4.52bn a year ago.

In the consumer products business area, which includes drinks, food and tobacco, operating profits rose 20 per cent to SKr 242m while revenue rose by 36 per cent to SKr 2.19bn.

Procordia's tobacco interests accounted for most of the operating profit though revenue slipped from SKr 951m to SKr 922m, mainly because buyers last year had bought well ahead of the planned cigarette price increase.

The strongest increase in revenue (a 180 per cent gain to SKr 887m) came in the drinks business sector since the figures from the two breweries—Pripps and Falken—are now included. Both malt-based and light drinks showeda volume increase of 10 to 12 per cent and better results.

However, profits from the food business were held in check by the government price freeze, despite a strong increase in volume.

The service business, which includes hotels and restaurants, moved from an operating loss of SKr 5m to an operating profit of SKr 10m while revenue increased 5 per cent to SKr 1.16bn. The hotel and restaurant business was hit by bad weather in January and the price freeze. Liber, the educational publisher included in this sector, showed a strong improvement due to its restructuring.

Procordia's chemicals and medical business area also showed a marked improvement in operatin profits at SKr 98m against SKr 39m, helped by the improvement at KabiVitrum.

Multi-currency issue by Iowa

THE STATE OF IOWA is preparing to issue tax and revenue anticipation notes denominated in several foreign currencies and US dollars, Reuters reports from New York. The issue is believed to be the first-ever issue of multi-currency bonds by a municipal borrower.

Iowa expects to offer approximately $100m of the securities in a negotiated sale via Goldman, Sachs. The foreign currency-denominated portion is expected to close on July 1. Interest will be exempt from federal tax.

"Iowa expects to obtain significant interest cost savings through foreign currency issuance," said Mr Mike Fitzgerald, Iowa's state treasurer.

Whirlpool seeks $150m Eurocredit

WHIRLPOOL ACCEPTANCE, a financing subsidiary of the US home appliance manufacturer, has mandated Swiss Bank Corporation International to arrange a $150m revolving Eurocredit, writes Alexander Nicoll.

The five-year credit will allow Eurodollar advances at 18.75 basis points above London interbank offered rates, with a 5 basis point utilisation fee if the facility is more than half drawn. There is a commitment fee of 7.5 basis points.

GKN, the UK engineering concern, has arranged a $130m Euro-commercial paper programme and a £100m sterling commercial paper programme to run in parallel with a $130m five-year multi-option facility signed last week.

Dealers on the dollar programme are Morgan Stanley International, SBCI and S. G. Warburg, and on the sterling programme Lloyds Merchant Bank, Morgan Grenfell and Warburg.

Brent Walker, a UK leisure and property development group, has appointed Citicorp Investment Bank and CIBC Limited as dealers for a £50m sterling commercial paper programme. Kleinwort Benson is to be sole dealer for a £25m programme for Perstorp, a Swedish chemical concern.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on June 9

US DOLLAR STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	92¾	93¼	[illegible]	[illegible]	9.59
A/S Eksportfinans 7⅝ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	9.22
A/S Eksportfinans 7¼ 92	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
Credit National 4⅞ 92	15	[illegible]	[illegible]	[illegible]	0	[illegible]
Denmark, Kingdom 5⅛ 92	130	[illegible]	[illegible]	0	0	4.72
EIB 4⅝ 94	40	[illegible]	[illegible]	[illegible]	[illegible]	4.71
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INTERNATIONAL COMPANIES and FINANCE

Yoko Shibata on the alternative income strategy of industrial groups

Japanese find a financial cushion

JAPANESE industrial companies may be having a hard time making profits in their main businesses these days, but many are more than making up for it with earnings from investing their surplus funds.

The success of sophisticated fund management or Zaitech (financial technology), as the Japanese call it, has been the main feature in many of the 1986-87 corporate reports that have been published in the past few weeks.

According to a survey by Wako Securities of the results of 976 non-financial sector companies listed on the Tokyo Stock Exchange, nearly one in two of them (468) made net profits on financial items last year.

Wako said many companies had been tempted to try to make money from money, partly because of the devastating impact of the yen's appreciation on their mainstream businesses and partly because of the remarkably low cost of borrowing.

Some have been highly successful. Toyota Motor, the champion in this field, earned Y158.9bn ($1.1bn) from its investments last year, and will probably do better this year. Market watchers expect Toyota to make a large new issue of convertible bonds soon that, thanks to a currency swap, may carry a negative interest rate.

In some cases, companies' investment profits last year were enough to offset operating losses. Among them are Nissan Motor, Sony, Nippon Oil and Sanyo Electric. Investment profits of JVC, the consumer electronics group, were 2.3 times as high as its pre-tax profits. One analyst pointed out that this meant that five fund managers produced more profits than the company's entire workforce.

Until last year, companies' Zaitech fund management was aimed mainly at reducing the interest burden on existing debts by repaying high cost loans and arranging new ones at lower cost. Now, an increasing number of companies are raising low-cost funds through convertible bond issues in the domestic capital markets or bonds with share warrants, with the sole aim of investing the proceeds for capital gains in stocks and bond investment, Wako says.

A record Y9,300bn was raised through domestic convertible issues last year, up 43 per cent from the previous year. The basic interest rate on such issues now stands at a record low level of 2.3 per cent and companies with the highest ratings can tap the market by paying a mere 1.3 per cent.

A company like Nippon Telephone and Telegraph (NTT) has been able to raise cheap funds to replace high-cost borrowings made in the past. In an attempt to restructure its Y4,600bn debts, NTT is placing Euroyen, Euromark and other foreign bonds while purchasing back outstanding domestic bonds issued at high interest rates in the past.

TOP TEN ZAITECH EARNERS

Year to March 1987

	Zaitech profit Ybn	Change %	% of pre-tax profit
Toyota Motor	159.0	+11.9	48
Nissan Motor	127.0	+93.4	107
Matsushita	115.4	+11.4	61
Mitsubishi Corp.	46.3	+3,378.1	58
Sony	39.1	+29.4	107
Sharp	30.9	−16.2	81
Toa Nenryo	23.0	+51.4	25
Sumitomo Corp.	21.6	—*	46
Nippon Oil	21.0	+11.8	106
Sanyo Electric	18.0	−44.3	118

* Loss last time.

White goods shake-up boosts profit at Email

By Bruce Jacques in Sydney

EMAIL, Australia's largest white goods group, has demonstrated the benefits of rationalisation in the industry with a 35 per cent profit rise to $A38.1m (US$27.2m) in the year to March, against A$28.2m.

With competitiveness increased by devaluation of the Australian dollar, the company lifted sales from A$675.8m to A$791.8m and is increasing its annual dividend from 12 cents to 15 cents a share. This will be paid on capital increased by a one-for-eight bonus issue during the year, lifting payout from A$12.9m to nearly A$19m.

Sir Peter Finley, the chairman, declined to spell out the contribution from the Simpson group, acquired last year for A$42m, saying the result reflected only 10 months' trading from Simpson and rationalisation complicated any comparisons.

But he did say that Simpson, which has averaged losses of around A$2m over the past three years, was back in the black as part of the company's major appliance division.

Sir Peter pointed out that since 1983, while restructuring into Australia's only big white goods group, Email has increased earnings from A$7m to current levels and earnings per share from 6.7 cents to 30.6 cents a share. Its shares have outperformed the Australian stock exchange's all ordinaries index by 60 per cent in the period.

"The substantial reshaping of the company across the past five years and the considerably improved financial performance which has resulted, ensure there is a solid foundation for the future," Sir Peter said.

"While there remain uncertainties in the Australian economy, many flowing from international influences, the large majority of our operating units forecast good demand situations for their products through at least the first half of the new trading year."

Email has been one of Australia's most sought-after companies in the 1980s, having fought off three takeover attempts in as many years—from Austram, Hooker and, most recently, Feltex New Zealand, a member of the group of companies controlled by Mr Alan Hawkins, Equiticorp chairman.

The latest Email result was after tax of A$17.7m (A$15.3m previously), a charge which was helped by tax losses.

NZI Corporation lifts earnings by 70%

BY OUR SYDNEY CORRESPONDENT

NZI CORPORATION, the trans-Tasman financial services group, has continued its recent rapid expansion with a 70.5 per cent increase in net profits to NZ$145.3m (US$84.4m) in the year to March, compared with NZ$85.2m.

The company, which is sitting on a 4.5 per cent stake in the British-based Hill Samuel Group, benefited from healthy stock markets in Australia and to a lesser extent in New Zealand during the period. Investment income in the group's insurance operations was NZ$75.9m but an underwriting loss of NZ$10.7m cut earnings from this arm back to NZ$66.2m.

The importance of the stock market to the group's health was reflected in a NZ$311.6m surplus in market value of listed investments over book value at balance date. This compared with a NZ$62.8m in the previous period.

The next largest earner for the group was its growing banking operations, which contributed a net NZ$45.5m to the results, well up on the previous year's NZ$18.8m. Life insurance operations contributed NZ$10.1m (NZ$13.7m previously) while the trust and investment services division lifted its earnings from NZ$4.9m to NZ$8.1m. The group now has NZ$4.9bn under management.

The result included a NZ$16.8m loss in movements between the Australian and New Zealand dollars (NZ$39.9m loss previously). Directors said the improved banking result reflected the merging of the Marac and Broadlands operations. They expect a continuation of the profit progress

The result excluded NZ$2.1m extraordinary loss (NZ$2.9m previously). The annual dividend has been raised from 9 cents to 10.5 cents a share, but shareholders can elect to take bonus shares instead

● Wilson & Horton, a New Zealand newspaper publisher, will invite Mr Robert Holmes à Court, the Australian financier, to join its board following his acquisition last month of a 10.3 per cent stake in the company, AP-DJ reports from Auckland.

The invitation came after a meeting of shareholders yesterday granted directors power to restrict further share purchases by foreign investors if such purchases would threaten Wilson & Horton's current application to the Government for a New Zealand television licence.

● Golden Bay Cement directors are recommending acceptance of a NZ$82.9m bid from Winstone, a Brierley Investments unit, Reuter adds from Wellington.

Blue Circle Industries of the UK had previously agreed to sell its 70.4 per cent stake to Winstone.

Bond to pay A$160m for Sydney Hilton building

BY OUR FINANCIAL STAFF

BOND Corporation Holdings, Mr Alan Bond's Perth-based company, is to pay A$160m (US$114.4m) for the Sydney Hilton Hotel building, which is adjacent to a site where Mr Bond last week announced plans to build the tallest office building in the southern hemisphere.

The Hilton property was sold by the AMP Society, the country's leading investment institution. The hotel, which will remain under its present management, has 619 guest rooms as well as shops and offices.

The Bond development next door, to be known as Sky Tower, has a projected cost of some A$600m. It would dominate the central business district with up to 93 storeys, involving five years, work, starting as soon as October.

Last Friday Bond also announced funding plans for the group involving a A$750m domestic convertible bond issue, of which companies associated with Mr Bond could absorb up to a third.

Public Bank seeks 30% stake in MPH

BY WONG SULONG IN KUALA LUMPUR

PUBLIC BANK, Malaysia's fourth largest bank has submitted proposals to the authorities seeking a 30 per cent stake in Multi-Purpose Holdings (MPH), through which it would effectively control the diversified but financially troubled Chinese investment group.

Tan Sri Teh Hong Piow, Public Bank's president, told shareholders yesterday the proposals involved the bank taking over Kooperative Serbaguna Malaysia (KSM), the largest of the 24 deposit-taking co-ops whose activities were frozen by the authorities last August.

KSM has nearly a quarter of a million members who had placed a total of 564m ringgit (US$230m) in the co-operative, but who had been told to expect to get back only 41 per cent of that. KSM's main asset is its 41 per cent stake in MPH.

Tan Sri Teh declined to reveal the bank's proposals—submitted to Bank Negra, the central bank—but it is understood that if they are accepted, KSM depositors can expect a full refund over a number of years.

He said that if the Malaysian authorities allowed Public Bank to take a 30 per cent holding in MPH, the bank would eventually have to sell off MPH's 70 per cent stake in Malaysian French Bank and its 55 per cent stake in Magnum Finance to comply with banking regulations.

For the past two years, MPH has incurred attributable losses of 420m ringgit. A new management, under the chairmanship of Mr Robert Kuok, a prominent businessman, took over the group early this year.

Tan Sri Teh also confirmed that Public Bank has made a 4.5m ringgit offer to take over GP Securities, net of assets and liabilities. This would be the first step towards the bank's aim of participating in the global securities business.

Shareholders later approved a resolution to double the bank's authorised capital to 1bn ringgit. The bank is expected to make a rights issue soon to increase its present paid-up equity of 210m ringgit to keep within the required 4 per cent capital to deposits ratio.

UK COMPANY NEWS

Metal Box meets City hopes with 25% boost

BY TONY JACKSON

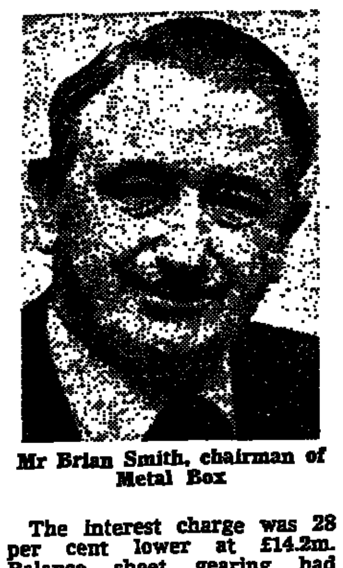
Metal Box has matched market forecasts with a 25 per cent jump in pre-tax profits to £82.2m for the year to March. As expected, profits were helped by a £7m reduction in pensions contributions, and there were *further savings* from the phasing out of group headquarters in Reading.

This was more than offset, however, by the costs of winding up the group's canning operation in Italy, which had been plunged into loss by problems among tomato farmers in the area around Naples. Trading losses from the operation were smaler than the previous year's £7m before minorities, the group said, but there were bad debts of £4.6m charged above *the* line and a *further* £9.1m of extraordinary closure costs.

The group said it had also withdrawn from its Petainer venture in the US, where it had been developing a clear PET *plastic* can with Coca-Cola and other partners. Environmental pressures, based on the difficulty of recycling the product, had been growing for the past year. "None of the US majors were prepared to engage in the environmental controversy," the group said.

Aside from research and development costs written off, net costs on withdrawal would be around £0.5m. Rights would be retained to exploit the concept in *some* other countries outside the US.

Group sales were 2 per cent ahead at $1,137.7m. The £16.4m rise in pre-tax profits would have been £2.6m higher at constant exchange rates, the group said. In particular, the 4 per cent *rise* in US profits to £14.0m concealed a rise in dollar terms of 25 per cent.



Mr Brian Smith, chairman of Metal Box

The interest charge was 28 per cent lower at £14.2m. Balance sheet gearing had fallen to 9 per cent net, and 24 per cent gross. Mr Brian Smith, group chairman, said "We look upon that as a platform, rather than an achievement. We give ourselves normal gearing targets of 30 per cent net."

The group *has* made *five* acquisitions in the past two months in the UK and US, and is also building factories in both countries to make its new forms of plastic packaging and to extend its cheque printing operations.

Genesis Packaging Systems, the joint venture in plastics packaging with Alcoa of the US, was making good progress, the group said

The dividend has been raised by 21 per cent for the year as a whole, to 5.75p net.

See Lex

OPERATING PROFIT BY DIVISION

UK		
Other countries	11.2	3.7
	1987 (£m)	1986 (£m)
Food and drink packagaing	29.4	29.1
General packaging	11.1	9.7
Engineering	4.5	5.5
Central heating	11.3	8.0
Overseas		
US	14.0	13.4
Central heating	1.8	1.6
Royalty and other income	10.3	8.2
Related companies	7.9	6.2
Total	101.5	85.4

Buckleys stake on the move again

By Nikki Tait

THE MERRY-go-round of stakeholders in small Welsh brewer, Buckley's Brewery, moved on yesterday with Brodian—a nominee company woned by Mr Guy Cramer and Mr Peter Clowes—emerging as the purchaser of the 27.57 per cent stake formerly held by Bestwood, the financial and property services company headed by former stockbroker, Mr Tony Cole.

The stake—4.18m shares—was bought at 137.5p a share, netting Bestwood a modest profit. Yesterday, Mr Cole said that its holding had been built up at a cost of slightly under £5m. Buckley's shares gained a further 4p to 146p.

Earlier this year, Mr Cole tried—in the face of hefty opposition from Buckley's, to win a place on the board and to oust Mr Jasper Clutterbuck, a Whitbread director. Whitbread Investment Trust, too, holds 27 per cent.

Yesterday, Mr Cole maintained that some momentum, at *least, had been injected into* Buckley's management, and so Bestwood felt that it was better to take a smaller profit now rather than a larger one later on.

For the buyers, Mr Peter Clowes said that Brodian hoped to be a long-term investor and would also be seeking a board seat. He stressed that Brodian was unconnected with James Ferguson, the former shell company being built up into a financial services group by himself and 25-year-old Mr Cramer.

However, he refused to comment on whether acquisition of the stake might herald a bid for Buckley's at a later stage. Earlier this year, Messers Clowes and Cramer built up a near-30 per cent stake in Belgrave Holdings, which they then sold on to a private company owned by the Jivraj family. Belgrave was subsequently bid for by a third party.

Down in Llanelli, Mr Colin Thomas, Buckley's managing director, greeted the news stoically: "Oh dear, it's never a quiet life, is it?" Buckley's response to any boardroom seat request would depend on what Brodian proposed, he suggested.

On one point, at least, there seems certain to be agreement. "We do like a nice pint of beer," maintains Mr Clowes.

OVER 100 ENQUIRIES FOR ENGINEERING COMPANIES

Unigate advances 26% to £105m

Unigate, the dairies group, *yesterday* announced 1986-87 profits ahead of stockbrokers' forecasts, but witnessed its share fall over the day.

Taxable profits for the year to end of March were £104.7m, £21.9m more than the previous year. The City was expecting figures in the range £100-108m and the shares were initially marked up to over 420p from 415p, but ended the day 2p down at 413p.

Turnover was £50m up at £1.97bn, and operating profits *were £107.7m, against £91.4m.* The company experienced growth in all but two of its tradin gareas, which encompass food ,transport and specialist indsutrial services.

St Ivel, the health food division, increased its operating profits by 19 per cent to £15.6m (£13.1m). Mr Daniel Hodson, finance director, said that this had been achieved as a result of the progress of the Shape, Real and Gold brands.

The poultry division achieved *£10.2m, against £8.3m. Demand* for white meat had been buoyant, Mr Hodson said, but depressed conditions in the red meat market partly explained the decline at Unigate Foods, where operating profits fell from £8.1m to £7.4m. Another adverse factor was the high price of the milk used to make cheese, he said.

Unigate Dairies increased profits from £30.6m to £34.3m, despite turnover down £9m to £585m.

Profits from Wincanton, the motor dealer, jumped 51 per cent to £15.9m. Approximately half of the increase derived from acquisitions made during the year, Mr Hodson said.

Giltspur, which combines the company's exhibition and engineering activities, increased profits to £9.7m (£6.9m). Mr Hodson said that over 100 companies had expressed an interest in the engineering businesses put up for sale last month. They made around £2m last year and a sale is expected "within the next month or so."

The international division made £10.5m (£11.7m). Other activities generated £4.1m (£2.2m) and income from related companies was £4.4m (£3.4m). Interest payable declined to £7.4m (£12m).

Tax for the year was £35.5m (£28.1m). Earnings per share were 30.6p, against 24.6p.

Capital expenditure for expansionary projects was £39.6m (£28.8m), out of a total of £92.9m (£75.9m). Acquisitions amounted to a further £76.5m (£41.6m). Net debt gearing was 18.3 per cent at the year end, down from 19.1 per cent.

The board recommended a final dividend of 7p (6.25p), making 11.5p (9.7p) for the year.

See Lex

Bradstock rises 45% to £3.5m

BY NICK BUNKER

Bradstock, insurance broking group, pushed pre-tax protfis up 45 per cent to £3.53m in the first half of 1987 and yesterday declared an interim dividend up 27 per cent at 1.4p.

The results showed a jump of a little less than 41 per cent in the *group's* brokerage income, which reached £6.6m in the six months to March 31. Fifty-three per cent of Bradstock's brokerage is in reinsurance, with the remainder coming from direct insurance business.

The group's shares gained 18p to close at 302p last night.

Mr David Bradstock, group chairman, said it would be difficult to maintain Bradstock's growth in brokerage income in the second half, but he was confident that the *full year's results* would show satisfactory progress.

Bradstock obtained a Stock Exchange listing in June 1985 as the holding company for a group of insurance and reinsurance broking companies operating mainly in the UK and the US.

Their specialisations include UK professional indemnity insurance and North American aviation and marine reinsurance.

Expenses grew 37 per cent in the first half to £3.88m, leaving an operating profit of £2.72m (£1.86m) before net investment income of £803,000 (£584,000). After-tax profits were £1.9m (£1.05m). Earnings per share jumped 58 per cent to 9.3p.

● comment

Five years of steeply-ascending earnings per share have evidently not exhausted the market's appetite for more good news from Bradstock. A prospective multiple of 17.5 leaves it still clear of bigger and more conspicuous rivals in the sector. True, that should occasion little surprise, since Bradstock's *established* name now is for skilled development within chosen market niches. It reaped rewards in the first half for instance from its penchant for broking professional indemnity insurance to solicitors and Britain's smaller accountancy firms. Their premiums have had to rise again this year to keep step with their growing fee income, as well as the 20-25 per cent rate increases still expected by the small but gradually expanding group of London underwriters taking the business. Yet Bradstock was right to sound a note of caution at a time when marine and aviation reinsurance markets are teetering on the brink of the rate reductions that began to afflict the direct market months ago. Bradstock also depends rather more on the US than some analysts have recognised. Even if premium rates stay firm, the dollar might not.

All-round growth for Appletree

By Alice Rawsthorn

Appletree Holdings, the food group formed earlier this year, *yesterday announced* a 19 per cent increase in pre-tax profits to £747,000 on turnover which rose by 24 per cent to £20.84m in the first half of the year.

The group was formed in *February by the merger of* Appletree, a USM-quoted vegetable and fruit distributor, with Hunter Foods, a privately owned snack foods manufacturer. Appletree has since *graduated to the main stock* market and, in March, it acquired a new shareholder in British & Commonwealth Holdings, the financial services group.

Mr David Johnson, chairman of the merged group and founder of both Appletree and Hunter, said that every area of the business had secured healthy volume growth in the first half but both potatoes and own-label crisps had suffered from pressure on margins.

In the fresh produce division, potatoes faced the parallel problems of tighter margins from the retail multiples and poor growing conditions. None the less, turnover increased by 30 per cent during the interim period.

Snack foods suffered from intense competition within the industry. But the group in*creased* its business with Marks and Spencer, gleaned new accounts from Tesco and Booker, and turnover rose by 19 per cent.

Earnings per share increased to 4.42p (3.75p) in the six *months to April 4. The board* proposes to pay an interim dividend of 1p.

Mr Johnson said that the pressure on margins had alleviated slightly in the second half and that the outcome for the full year should be "satisfactory." Appletree is now looking for acquisitions among "added value and niche" businesses within the food industry.

The progress of Appletree's share price had been distinctly dull ever since it surfaced on the USM two years ago. The combination of the merger and the emergence of British & Commonwealth as a shareholder, fuelled a surge earlier this year, but the stock has since resumed its pedestrian course. The shares jumped by 6p to 250p yesterday, but this was more a reflection of the market's strength than of the merits of the merged company. The problems with potatoes have, if nothing else, demonstrated the benefits of broadening the base of the business in the volatile food market. Margins have mustered some improvement in the opening weeks of the second half and the City expects profits of £2.25m for the full year. But barring a startling acquisition, the outlook for the shares, on a prospective p/e of 23, is as dull as ever.

Premier Oil doubles profits to £8.6m

By Lucy Kellaway

Premier Consolidated Oilfields, the independent oil company, yesterday announced profits and turnover more than *doubled for the year to March,* despite the fall in the oil price. Profits before tax rose from £4.4m to £8.6m on turnover up from £10m to £20.3m.

Mr Roland Shaw, chairman of Premier, said that the results were "enormously encouraging" and justified the purchase last year of Burmah Oil's oil and gas interests. However, he said that even if the company had not made the acquisition it still would have avoided making a loss for the year.

Next year he said that profits would be further boosted by a full 12 months' production from the Thistle field in the North Sea and from higher production from the onshore Wytch *Farm oil field.*

In the course of the year, Premier drilled 20 wells, which resulted in six discoveries in Trinidad. The company also discovered oil on block 22/2 in the North Sea. Mr Shaw said *yesterday* that *although* the latest well drilled on this block was disappointing, the company was still pressing ahead with two further wells, and remained optimistic about the prospect.

He said that Premier's major exploration interests overseas were in Papua New Guinea and offshore Thailand, close to a recent discovery by Shell.

● comment

For the past year or so the market has valued the independents according to their remoteness from bankruptcy and their chances of being taken over. It is perhaps a sign both of the recovery of the oil market, and of Premier's success that it is now viewed as a genuine exploration company once again. Part of the reason why the shares now stand at almost twice some estimates of asset value is that Premier is up to its waist in Far East acreage—the latest oil industry hot spot. The drilling, which will not start until next year should be easily farmed out, leaving Premier well geared to any discovery, but with limited losses should the wells prove dry. The Far East aside, Premier is emerging as an increasingly robust independent, as evidenced by these figures, which pushed the shares up a further 4p yesterday to 59½p. The benefits of last year's acquisition are coming through in spades on the p and l, while Burmah is rapidly approaching the date at which it is free to sell its stake with every intention of staying put for the long term.

Wheway profit finishes lower

Although there was significant recovery during the second quarter, Wheway, Birming*ham-based* engineer *and forger*, saw its pre-tax profits for the half year to April 4 1987 fall from £763,000 to £751,000.

The company, which spent much of 1985-86 reorganising and restructuring, improved *turnover on its continuing* activities from £26.51m to £27.53m, while discontinued activities fell to £1.06m (£1.58m). The comparisons have been restated to include the estimated results of Wright Airconditioning and *its subsidiaries,* bought by Wheway in April for £5m.

Traditionally the group performs more strongly during the second half of the year, and the directors envisaged that such would be the case for the current financial year.

They are paying an interim dividend of 0.15p from earnings per 10p share of 0.74p (same). For the year to September 1983 the dividend was 0.5p net.

Operating profits on continuing activities rose by 17 per cent to £1.14m (£977,000). Discontinued activities contributed £104,000 last time. Related companies took £2,000 £50,000 credit), and the pre-tax result was after interest charges of £390,000 (£368,000).

Egerton buys US aggregate business

BY NIKKI TAIT

Egerton Trust, the former *Caparo Properties the main* interests of which are in nursing homes and sheltered housing for the elderly, yesterday announced further expansion in the US with the $29.31m (£17.82m) acquisition of a *Massachusetts-based aggregates* business.

Emeral Corp, an old-established family-owned company, is involved in ready-mixed concrete and gravel extraction, *mainly* around Worchester, *in* the Boston hinterland. In 1986 it made an operating profit of $4.3m and pre-tax surplus of $4.8m, on sales of $29.4m.

The company owns about 850 acres of mineral-bearing land *and some 120 acres of this* "are considered to be suitable for future residential, commercial and industrial development," Egerton said. Net assets had a book value of $16.1m at end-1986, *including $4m in cash.*

Egerton said that these were substantially undervalued. Preliminary revaluation suggested that the present figure was not less than the purchase consideration.

Egerton, which is following recent moves into the US aggregates market by substantially-larger UK building companies like C. H. Beazer and Tarmac, said the acquisition would expand its stock of development land and complement its existing US activities.

The company intends to centre its US expansion in New England and under Mr Frank Sanderson, *chairman*, a former chairman of Bovis, made its first move with a $12.4m deal which included land and properties in Vermont and Massachusetts last December.

The price will be satisfied by *staggered cash payments*, $15m on completion, $6m after two years and $8m after four years. Management has agreed to stay with the business and there is a bonus of one-quarter of pre-tax profits in *four* years to end-1990 if these, in total, top $10m.

To pay for the acquisition, Egerton is raising £10m via a placing of 5.99m shares at 188p. Existing shareholders are offered first refusal on these shares on a two-for-seven basis. Directors, family, and associated interests, which own 47 per cent of Egerton, have undertaken to take up 13.8 per cent of the placing, so that their stake will probably be diluted to about 40 per cent.

Yesterday, Egerton shares jumped 7p to 213p.

Pentos ahead strongly

BY STEVEN BUTLER

Pentos chairman, Mr Terry Maher, yesterday reported a strong start to the year for his retailing, publishing, and office furniture group, at the group annual general meeting. Turnover in the first five months was running 40 per cent ahead of the previous year, boosted by a strong UK retailing performance.

He also announced the purchase of a freehold retail premise in Oxford for £4.06m cash, to be funded by the issue of 3.19m ordinary shares in Pentos at 128½p each. The site will become a *Dillons* bookshop *with 13,000 sq ft of retail space.* A further 20,000 sq ft site has been leased in Birmingham for another Dillons bookstore.

The group's expansion into the US market has been furthered by the opening of four new Athena galleries, bringing the operating total to seven. If the Athena formula succeeds, the group envisions a much broader penetration into the US.

Capital spending forecasts for the year were raised £2m to £8m and Pentos has established an Athena subsidiary in Singapore. Athena stores-in-stores now operate in Singapore and Hong Kong.

Ennex deal and share placing

Ennex International, USM-quoted gold explorer based in Dublin, has reached agreement in principle with Whim Creek Consolidated and Austwhim Resources in certain gold production, development and exploration properties located in western Australia.

At the same time Ennex is seeking shareholder approval for a placing of 25m new ordinary shares at 56p (162p) to raise £14m. Ordinary holders will be able to participate in the issue.

Some £5m will be used to finance the acquisition made up as to A$11.38m (£49bn) cash, the issue of 1m ordinary shares and options over a five-year period over 3m shares in Ennex.

Allied-Lyons

Stockbrokers Panmure Gordon have clarified the position with regard to Allied-Lyons, following comment and market reaction to a May 29 circular analysing the brewing group's preliminary results for the year to March.

Although the broker's report concludes that "we feel uneasy about the scale of some of the extraordinary charges of the last three years and believe that Allied's shares should be accorded a lower rating than quality stocks of the same sector" the recommendation made to investors was hold/buy rather than sell as reported.

Panmure believes that Allied's current rating fully reflects market concern over its debt level organic growth record and short-term prospects.

Unigate pulls further ahead

(And profits pass the £100 million mark)

In recent years, Unigate has built up a record of high performance – and 1986/1987 was no exception.

Thanks largely to strong gains in an increasingly health-conscious market by products like St. Ivel's Gold, Shape and Real, and by our poultry products, we increased food sales and profits substantially.

Unigate Dairies (again, thanks in part to investment in healthier low-fat milks) also grew very satisfactorily.

Our Wincanton motor and transport businesses accelerated briskly.

And Giltspur's exhibition service activities showed strong progress, too.

Our International division's results were adversely affected by the fall in the US dollar, but we're happy to say that the current year's trading prospects are already looking distinctly brighter.

The overall result was, once again, record profits (up 26% to £104.7 million) and record earnings per share (up 24% to 30.6p).

Our return on trading capital improved from 23.5% to 28.3%, putting us even further in the forefront of UK industry. And even after capital expenditure of £93 million (£40 million of it for expansion) cash inflow from operations remained impressive.

For full details of the year's progress, please send the coupon for a copy of our newly-published Annual Report.

It will show you just how strongly the tide is running in Unigate's favour these days.

Unigate

Staying ahead in food, transport and industrial services

If you would like a copy of the 1987 Annual Report, please write to: Public Affairs Department, Unigate PLC, Unigate House, Western Avenue, London W3 0SH.

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FT 10/6

ICI to buy Belgian seed company for £100m

By William Dawkins in Brussels

Imperial Chemical Industries of the US is expected to complete by the end of this week its takeover of Société Européene de Sémences, the leading Belgian seed breeding company.

The British chemicals giant is negotiating for full control of SES and not just a 50 per cent stake as thought earlier, industry experts said yesterday. Both shareholders, Feruzzi, the Italian agro-industrial group and Raffinerie Tirlemontoise, Belgium's largest sugar refiner, have agreed in principle to sell the 50 per cent which they each own. The purchase price is thought to be in the region of £100m.

SES, one of Europe's top seed producers, has developed a fungus resistant strain of sugarbeet and one of Europe's most popular strains of soya seed. Negotiations are thought to have opened with ICI two or three months ago, though ICI executives in Brussels refused to comment on any aspect of the takeover.

Glaxo for New York

Glaxo Holdings announced that its application for a listing on the New York Stock Exchange of its outstanding ordinary shares in the form of American Depositary Receipts (ADRs), has been approved and that trading of ADRs commences today.

United/Extel

Extel shareholders are choosing cash by a wide margin over shares in United Newspapers, the publishing group which this week succeeded in its £250m takeover bid.

The 481p cash alternative has been accepted on behalf of more than 85 per cent of shares so far. The United share offer was worth 479p yesterday.

Wardle Storeys' deal

Wardle Storeys has sold the military trainer and air launcher businesses which were previously part of GQ Defence Equipment, at Godalming, Surrey, to Ferranti. These businesses formed part of the RFD Group, which was acquired by Wardle Storeys in June 1986, and currently employs about 50 people. Turnover is approaching £5m per annum.

The three product ranges included in the sale are air defence tactical training theatres, Marksman small arms training systems and air launchers.

Western Motor

Western Motor Holdings has agreed to buy Penta, a Reading-based retail motor trader, for around £13.3m. Some £7m of cash element will be funded via a rights

Purchases boost Siebe to £62m

BY CLAY HARRIS

Siebe will soon be on the acquisition trail again. Mr Barrie Stephens, chief executive, said yesterday that the controls, engineering and safety equipment group planned to spend at least £150m this year.

This would follow a £390m US buying spree in 1986-87, which has put Siebe in the position to expect sales this year of £1.1bn, more than half from its controls division.

Siebe yesterday reported pretax profits of £62.1m for the year to April. This is nearly 87 per cent higher than the 1985-86 figure of £33.3m, which was restated to reflect Siebe's change this year to using average rather than year-end values for currency translation.

On unchanged policy, profits would have been nearly £2m lower at £60.2m. Currently translation is especially important because more than 70 per cent of its turnover and profits are generated outside the UK.

Turnover increased to £675m from £371m (restated from £372m).

Siebe's three US acquisitions lost no time in adding to profits. Robertshaw Controls, specialising in heat-control systems, contributed £16.1m in six months. Ranco, its low-temperature ......counterpart, brought in more than £2.4m in only two months.

W. H. Salisbury, market leader in high-voltage protection equipment, reported profits of £410,000 in three months.

Existing businesses also advanced. The original Siebe safety equipment operation and Tecalemit garage equipment company increased profits by 10.5 per cent to £25.6m.

CompAir, the compressed air division bought from IC Gas, contributed £15.8m against £9.4m in eight months of 1985-1986. Deutsch Tecalemit's first full year came in at £1.5m, against £450,000 in four months last time.

"We're looking in essence for the high profitmakers with good after-sales and spare parts potential," Mr Stephens said. Despite gearing fo 128 per cent, Siebe would not be seeking any additional equity capital until it was ready to announce its acquisition.

There was an £10.5m extraordinary charge, announced at the interim stage, arising from Siebe's unsuccessful contested bid for APV, the UK process engineer, last year.

Earnings per share advanced to 65.4p (53.4p, restated from 54.6p to reflect the acounting policy change and rights issue). The final dividend of 10.57p (9.4p) will make a total of 15.26p (13.48p), a 13 per cent increase.

● comment

Lightning rarely strikes twice in the same place. Barrie Stephens still cannot believe Siebe's fortune in picking up both Robertshaw and Ranco in the space of weeks, to create the basis of a world-beating controls group. But Siebe would be well advised not to push its luck too far. Its shares are notoriously vulnerable to the paper-issuing machine. The £$\frac{11}{32}$ fall in the price to £11$\frac{7}{16}$ yesterday was not so much a reflection of such doubts, however, as reaction to a handful of forecasts which overshot even a result boosted by the accounting change. Currencies remain a considerable cloud for a company which finds hedging too much trouble. Siebe's shopping expedition was uncommonly successful but now it needs time to finish unpacking and get everything in working order. It should have no difficulty of achieving £100m pre-tax, where a p/e of 14 makes the shares look enticing.

McLeod Russel hit by strong pound

McLeod Russel, which announced in April that it was merging 80 per cent of its Indian tea interests with Mendip, a consortium of European investors, yesterday revealed a £660,000 downturn in pre-tax profits to £5.68m for the half year to end-March.

The directors blamed the strength of sterling against the currencies of the countries in which it operated for some £526,000 of the shortfall following translation.

They also pointed out that crops of plantation companies were seasonal and therefore figures for the opening half year should not be taken as an indication of the likely outcome for the year as a whole.

The group's activities, other than its Indian interests, have been transferred to a newly-created holding company. Consideration for the 80 per cent tea interests will be £18.4m cash.

An interim dividend of 3p (2.475p adjusted) is to be paid in October following reorganisation. Half year turnover totalled £12.47m (same).

Wardell Roberts up

Wardell Roberts, the Dublin-based USM quoted tea, coffee and snack distributor, increased its pre-tax profits from I£1.11m to I£1.52m (£1.38m) in the year to March 31 1987, and the total dividend is raised from 1.67p to 2.3p net with a final of 1.4p. Stated earnings per share rose from 6.4p to 7.3p, an increase of 14 per cent.

The directors said the results were brought about by an improvement in margins, together with a tight control of overheads. The marginal decline in turnover — down from £17.65m to £16.9m — was largely accounted for by the substantial drop in the price of tea during the year.

Balance sheet net cash balances improved by £979,000 to £2.73m.

Net asset value up 60% at New Throgmórton

BY NIKKI TAIT

The New Trogmorton Trust, one of the split-level investment trusts, yesterday reported a 59.8 per cent increase in the net asset value of its capital shares during the year to end-March, at 247p.

The final dividend on the income shares increases from 2.1p to 3.35p, making a total for the year of 4.6p—37.3 per cent higher than in 1985-86. The capital shares added 7p to 137p on the news, while the income shares gained 6p to 93p.

Yesterday New Throgmorton's managers said the results reflected the company's emphasis on "recovery" situations, its consistent investment philosophy since it converted into a spilt-level fund four years ago. Its largest holdings currently include Atlantic Computers, Lonrho, Evode, STC and United Newspapers. Its investments are predominantly UK-based.

BTRB plans expansion

British Thoroughbred Racing & Breeding reported lower pretax losses of £277,000 for the 15 months to December 31, 1986, against £328,000 for the previous 12 months. The breeding side of the business operated close to break even but the figures were adversely affected by the disappointing performance of the company's two-year-old racehorses.

However, directors expected the results for the present year to be improved significantly by the sucess of its Form guide telephone service, which was started in December 1986. The directors were also proposing an expansion programme, including a corporate reorganisation.

As a first stage agreement has been reached to buy, what the directors called, a substantial equestrian property. The consideration, which has yet to be decided, will be satisfied by the issue of shares.

The directors intend to split the existing shares, which are traded on the over-the-counter market, into £1 shares to increase their marketability. And it is intended to make an application for a quotation on the Third Market.

Directors added that the present year had started well in both the racing and breeding divisions.

Utd Guarantee rights

United Guarantee (Holdings) is to raise £2.54m net through a rights issue of 6,491,627 new ordinary 5p shares at 45p each on the basis of 1 new share for every four held on May 29 1987.

The proceeds of the issue will be used to make acquisitions. The board announced that United Guarantee had entered into agreement to acquire Interlite Linear Controls and Textina from the Talbex Group for a consideration of £1.25m.

The acquisition is to be financed by the issue of 2,777,777 United shares at 45p each to Talbex which has appointed National Investment Group, underwriters to the rights issue, as its agent to offer 2,596,650 of the consideration shares to existing shareholders pro rata to existing holdings at 45p each. NIG has agreed to place the shares with institutional clients at 45p each subject to the offer to shareholders.

United Guarantee (Holdings) is to change its name to United Guarantee.

Intl. Leisure lifts stake in Owners Abroad

By Nikki Tait

Shares in Owners Abroad, the tour operator and aircraft seats contractor, added another 3.5p to 133.5p yesterday on news that the larger International Leisure Group, headed by Mr Harry Goodman, had raised its stake from 6.8 per cent to 9.2 per cent.

ILG announced its stake last month and said it represented a "trade investment," but did not rule out predatory intentions longer-term. Yesterday, it said that this position had not changed. Asked whether further stake-building might be in view, ILG would only comment, "We are looking at the situation with interest."

Owners, meanwhile, said there had been no formal contact between the two groups, and that the situation over Tjaerebourg — with which it announced discussions about a possible "association" — was unchanged, with a statement likely in due course.

Thomas Locker down

Lower pre-tax profits, down from £2.01m to £1.43m, were reported by Thomas Locker (Holdings) for the year to March 31 1987, but the total dividend is unchanged at 1.295p with a same-again final of 0.92p net.

Turnover moved ahead from £29.34m to £29.73m. There was a lower tax charge this time of £641,000 compared with £725,000. Stated earnings per 5p share were lower at 1.85p against 2.93p.

Locker is a screening and filtration engineer

F & C Alliance

F&C Alliance Investment, the small company specialist investment trust of the Foreign and Colonial Management Group, reported a net asset value for April 30 up 21 per cent from 144.2p to 174.6p.

The annual dividend for the year to April 30 rose by 11 per cent rose fro m1.25p to 1.4p, making a total of 2.03p, compared with 1.83p in 1986. Earnings per share lifted from 1.93p to 2.31p.

Revenue after taxation was 19 per cent higher at £1.06m (£884,616).

The board is recommending a one-for-one capitalisation issue.

Brookville admits breaking the Code

By Philip Coggan

Brookville Securities, the private company bidding for building group J. Jarvis, yesterday admitted it had inadvertently broken the Takeover Code and would now, at the request of the Panel, reduce its stake to 29.99 per cent.

Jarvis' advisers, Kleinwort Benson, has alleged two breaches of the Code: that Brookville had failed to provide confirmation that it had sufficient resources to satisfy full acceptance of the offer; and that the offer should have been conditional on 50 per cent, rather than 90 per cent, acceptances.

Brookville's £7.5m bid was triggered after it bought 3.45 per cent of Jarvis last week, carrying its stake to 32.76 per cent, above the Takeover Code's 29.99 per cent limit.

Brookville's advisers, PK English Trust, yesterday said it had satisfied itself that the company had the resources to meet the £7.50p per share cash offer, and altered the terms of the offer to require a 50 per cent acceptance level.

Nash Inds midway rise

PRE-TAX profits at Nash Industries, the packaging, engineering and construction group increased from £56,000 to £274,000 in the six months to March 1987. Turnover was slighlty lower at £8.1m against £8.39m.

Mr John Nash ,the chairman, said the interim results were all generated from the group's existing subsidiaries.

Stated earnings per 25p share climbed from 1.3p to 4.3p. The interim dividend is doubled to 1p net on the enlarged share capital.

Plaxtons doubled

Plaxtons (GB), coachbody builder, produced a 98 per cent boost in interim profits to £123,000 on turnover up from £16.24m to £18.16m.

Earnings per share rose from 0.4p to 0.9p, and the interim dividend was unchanged at 1.5p.

Mr John Pepper, chairman, said the results for the 26 weeks to March 29 reflected another moderate performance, again mainly due to losses in luxury coachbuilding.

Kynoch warning

G. G. Kynoch, the Scottish woollen cloth manufacturer, increased its pre-tax profit from £5,638 to £8,740 in the half year to February 28 1987. Turnover for the period was up from £1.83m to £1.85m.

Mr G. D. Hay, the chairman, said the current strength of sterling, particularly against the dollar, had produced a slow-

After tax of £6,433 (£6,752) and preference dividend paying of turnover from export markets, affecting the second half of the year.

ments there was a loss of 2.2p (2.8p) per share. The interim dividend is raised from 0.5p to 1p to reduce disparity between payments.

Regalian more than doubles to £8.2m

Regalian Properties, the residential developer which has specialised in the renewal of former public housing, yesterday announced a 125 per cent increase in its 1986-87 pre-tax profits and more than doubled its dividend.

But on the market, the shares moved up only slightly, gaining 1p to 264p, suggesting that the profits increase had been fully anticipated in the price.

Pre-tax profits in the year to last March were £8.2m compared with £3.6m in the previous year, on a turnover up from £19.1m to £27.2m.

The directors declared a final dividend of 1.375p a share, bringing total payments for the year to 1.995p, against payments of 0.954p for 1985-86.

Earnings per share moved from 5.35p to 9p, although there was during the year a rights issue and two vendor placings that together raised some £60m.

Mr David Goldstone, the managing director, said the company's development programme, which should produce a turnover in the years after 1988 of around £500m, was now fully funded. He undertook that there would be no share issues that would dilute earnings growth per share.

● comment

A combination of developments coming on stream, and a buoyant house market, especially in the London area, helped to swell Regalian's margins, so that in the south east it has exceeded its 20 per cent target. In the provinces it has been achieving sales around that figure although having to work harder for it. Sales are coming on which point to a further increase in profits this year, although it seems unlikely that they can be doubled for the second year running. In 1988-89 there should be a further fillip from the Bankside office development on the south of the Thames, which will hit the London market before a rush of other developers' projects arrive. But the company will probably need to produce around £14m pre-tax to keep earnings per share at current levels, because the paper will be in for a full year and not, as in the year past, for just part of it. Some City estimates are for 1987-88 pre-tax profits of around £15m to give an eps of 11.5p. This would put the shares on a prospective p/e of 22.9, about double that of other housebuilders. With a development programme that is putting more stress on new houses and less on refurbishment, the company's rating may change. But, in present or future guise, it is highly dependent on mortgage lenders remaining generous.

Riley directors under fire over Midsummer bid

DIRECTORS OF Riley Leisure, the snooker group, came under fire yesterday at the company's annual general meeting over their decision to recommend a £16.4m takeover by Midsummer Leisure.

Shareholder Mr Douglas Howell said the board's explanation of why the bid had been accepted without seeking alternative offers was "thoroughly unsatisfactory."

Mr John Baker, another small shareholder, questioned whether the board had lost faith in its ability to improve the company's performance. He highlighted the position of shareholders who had bought in at £2 to see the price fall to a 33p low. Last night the shares closed down 4½p at 87p.

Mr Alan Deal, chairman, said the offer gave shareholders an "out" at 95p initially. He believed no better offer would emerge but "we have left the door open," he said.

Mr Deal said yesterday that a couple of other companies had expressed interest in Riley but there had been no official approaches.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Appletree ....int	‡1	Aug 28	1	—	3
Atkins Bros	5.8	July 24	5.3	8	7
Bradstock ....int	1.4	Sept 29	1.1*	—	3.75*
Brit Benzol	2	—	nil	2	nil
N. Brown	5.25	Aug 6	3.75*	7.5*	5.63*
Cont Stationery	†1.5	—	0.45	2	0.9
F&C Alliance Inv	1.4	June 14	1.25	2.03	1.83
G. & G. Kynoch ......int	1	July 31	0.5	—	3
Thomas Locker	0.92	—	0.92	1.3	1.3
McLeod Russel ...int	3	Oct	2.48*	—	6.23*
Metal Box	4.05	July 24	3.22	5.75	4.75
Nash Inds ....int	†1	Sept 25	0.5	—	1.5
New Throgmorton ...	3.35	—	2.1	4.6	3.35
Osborne & Little ...	‡2.6	July 10	2	3.9	3
Plaxtons (GB) ....int	1.5	July 17	1.5	—	4.5
Prontaprint	‡nil	—	1.5	1	2.5
Regalian Props	1.38	—	0.69*	2*	1*
Rowlinson Secs	0.58	—	0.53	0.78	0.72
Siebe	10.57	—	9.4	15.26	13.48
Unigate	7	July 16	6.25	11.5	9.7
Wardell Roberts	‡‖1.4	July 17	1	2.3	1.67
Wheway ....int	0.15	—	—	—	0.5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market. ‖ Irish pence throughout.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims: Camford Engineering, Carr's Milling Industries, Johnson and Firth Brown.

Finals: Allied Colloids, British Land, Business Mortgage Trust, Caffyns, Great Portland Estates, Harrisons Malaysian Plantations, M and G Second Dual Trust, Pilkington Brothers, Staveley Industries, Welpac.

FUTURE DATES

Interims—

Anglia Television .... June 24
Barr (A. G.) .... July 9
Cifer .... June 18
Countryside Properties .... June 17
Hardys and Hansons .... June 24
Kynoch (G. and G.) .... June 9
Pericom .... June 12
Trusthouse Forte .... June 25

Finals—

British Land .... June 10
Cranswick Mill .... June 19
Drummond .... June 22
Erskine House .... June 15
Freshbake Foods .... June 15
Harmony Leisure .... June 15
Harrison Industries .... June 16
Hunting Group .... June 15
Kenning Estates .... June 18
Kenning Motor .... June 18
London Investment Trust .... June 17
Renold .... June 19
Stoddard .... June 18
Stormgard .... June 15
TR North America Investment Trust .... July 1
Waddington (John) .... June 17

SHARES BOOSTED BY BETTER-THAN-EXPECTED RESULTS

N. Brown surges 51% to £9.2m

BY ALICE RAWSTHORN

N. Brown Group, the mail order and financial services group, yesterday watched its shares rise by 15p to 620p when it surpassed the City's expectations by unveiling a 51 per cent increase in 1986-87 pre-tax profits to £9.2m.

Mr David Alliance, chairman, whose family holds a controlling interest in the group, said that it was committed to pursuing growth both organically and by acquisition.

Traditionally Brown has bee na mail-order company, but during its last financial year it diversified into insurance broking and fund management with the acquisitions of Morfitt & Turnbull and Hammond House Investments respectively.

Mail order dominated this set of results, however, with Morfitt contributing just £600,000 for its first seven months.

Mail order is still swamped by the J. D. Williams business, which produces a direct catalogue for older working class women with weight problems.

Brown has introduced two new catalogues — Comfortably Yours and New Horizons—both of which are now trading profitably and should contribute in the present financial year.

Brown began a mail order pilot scheme, in conjunction with Marks and Spencer, last autumn. This scheme is still a small-scale project and it will be decided, later this year, whether to develop it further.

In the year to February 28 group turnover increased to £73.4m (£57.4m). Earnings per share rose to 22.9p (14.5p). The board proposes to pay a final dividend of 5.25p making 7.5p (5.6p) for the full year.

Since the year end Brown has diversified into property services with the acquisition of Dunlop Heywood, a firm of commercial chartered surveyors. The group intends to expand Dunlop, which has offices in London and Manchester, into a national network.

Mr Alliance said that Brown was now scouting about for acquisition opportunities within its established spheres of mail order, financial and property services.

● comment

For years Brown has thrived in the fashion conscious mail order industry by being as unfashionable as can be. It specialises in selling clothes to the C2DE women who are too old, too poor and too plump for its more fashionable competitors to bother with; and has nurtured a very lucrative market. This year it will glean growth from other areas with the first contribution from its new catalogues and the full fruits of its expansion into finance and property. With these acquisitions Brown has not only moved into new markets, but should balance its books by countering cash hungary mail order with cash rich financial services. The shares have soared in recent years—anyone who invested £1,000 in 1977 would hold £60,000 of shares today—but projected profits of £13m and a prospective p/e of 20.5 suggest there is more growth to come.

Continuous Stationery in profit

By Philip Coggan

Continuous Stationery bounced back into the black yesterday, announcing preliminary pre-tax profits of £530,000 after two years of losses.

The company has been transformed in the past year after the Lansdown family, managers of the company for over a century, sold its 61.6 per cent holding. Mr Bill Eastwood, formerly managing director of the J. B. Eastwood poultry company, became chairman and since then the group has expanded rapidly via acquisition.

During the year, the company acquired Paperweight, T. Blackburn (Printers) and Carwin (Business Forms), the latter two results being included on a merger accounting basis. As a result, the previous year's figures have been restated from a £132,000 loss to a £88,000 profit.

The newly acquired subsidiaries made a pre-tax profit of £626,000 but this was reduced by a loss in the original business of £96,000.

Turnover was up at £7.71m from a restated £7.16m and after taxation of £145,600 (£54,500) earnings per share were up sharply at 4.96p (0.43p). The final dividend is set at 1.5p (0.45p) making a total of 2p (0.9p).

British Benzol hits £8m via a Powerscreen boost

British Benzol, enlarged via the acquisition of Powerscreen last November, increased its profits sharply in 1986-87 and is returning to the dividend list for the first time since 1980.

Profits for the group, formerly a smal fuel business heavily dependent on the declining coke market and now a world leader in the manufacture and distribution of mobile screening equipment following the £25m acquisition, rose from an adjusted £5.83m to £8.04m pre-tax.

The results for the year to March 31 last were struck on a merger accounting basis and included 15 months figures of Powerscreen.

In effect, the acquisition was a reverse takeover and Powerscreen now contributes some 80 per cent of group profits.

Commenting on the results Mr Patrick Dougan, chief executive, said: "The combination of a rationalised Benzol with the positive cash flow, product development and marketing and distribution strengths of Powerscreen will lead to future good earnings and progressive dividend growth."

For 1986-87 shareholders are to receive 2p net dividend per 10p share from earnings of 9.8p (8.6p). Last October, at the time of the proposed offer for Powerscreen, the directors forecast a dividend of not less than 1p.

Group turnover pushed ahead from £45.19m to £50.53m. Tax accounted for £1.56m (£315,000) and after little changed minorities and extraordinary provisions of £2.33m (£244,000), mainly reflecting the closure of the coke manufacturing plant, the attributable balance worked through at £4.14m against a previous £5.27m.

During the year under review Powerscreen continued to expand its operations. Profits were well ahead of the comparable figures of the previous year and in North Aemrica the newer dealerships became more established, thus providing further impetus to growth.

The directors said that the market for screening apparatus was continuing to swing towards mobile equipment and that new opportunities were being constantly researched.

At the present time Powerscreen's sales were running at record levels and the directors were confident that this progress could be maintained.

Brown Lennox, a manufacturer and distributor of static and mobile crushing equipment acquired by British Benzol for £1.5m in February, was developing encouragingly. The JC Abbotts' fuel distribution activities made a useful contribution to profits and was also cash positive—this company now has 10 petrol filling stations to augment its bulk distribution business and prospects for the current year were described as excellent.

● comment

British Benzol has become a very badly-named company since the acquisitinn of Powerscreen last autumn in what was essentially a reverse takeover. This, perhaps along with recent memories of a chequered past, accounts for a rather lowly prospective p/e of 10 on the shares at 125p based on analysts forecasts of £10.5m pre-tax profits. Benzol's new manegment has paid off £2.6m of debt since February and is sitting on £3m in bank deposits. It has a worldwide product distribution network for a range of mobile screening machines that have only limited competition and an intro to markets ranging from gravel sorting to the processing of sewage. The company plans to graft new products onto its extensive US sales network, and may even use Benzol's UK solid fuels distribution system to approach difficult overseas markets where countertrade in coal could be the only way in. If the market continues to look with disfavour on the shares, Benzol could lose its separate identity—even a change of name might not prevent a predator from sorting this one out.

Osborne & Little below expectations

By Philip Coggan

Start-up costs in the US restricted growth at Osborne & Little, the wallpaper and fabric designer, last year leaving pre-tax profits below market forecasts at £1.43m.

An extraordinary debit of £165,000 was taken to reflect the costs of opening the New York showroom and profits were further restricted by £150,000 of US operating losses. But Sir Peter Osborne, the chairman, said that the US operations, which generally carry higher margins, should show modest profits this year with an increased contribution expected next year.

Last year, US sales totalled £430,000, of which 85 per cent occurred in the second half and the group now has 3,000 American account customers.

Despite the US costs, pre-tax profits in the year ended March 31 still showed a 28.4 per cent increase from the previous year's £1.24m, on turnover up 35.5 per cent at £8.58m (£6.33m).

After tax of £513,000 (£491,000), earnings per share were 20 per cent higher at 13.12p (10.94p). The final dividend is being set at 2.6p (2p), making a total of 3.9p (3p).

Atkins electronic problems hit shares

Atkins Brothers (Hosiery) left the market disappointed yesterday with pre-tax profits for the year ended March 31 emerging just £54,000 up at £1.16m (£1.11m). The shares closed down 18p at 292p.

At the half way stage, pre-tax profits were more than doubled at £458,000 and turnover was ahead by over £1.9m; for the full year turnover was up by £904,000 to £19.96m. In November, however, the company disposed of its loss-making knitwear division and the directors said that the benefits would not be felt until the current year.

They said that during July and August 1986 it became evident that budgets prepared for 1986-87 year, prepared for electronics businesses a few months previously, would not be met. Management and structural changes which had been and were continuing to be carried out to rectify the situation had serious profit ramifications in the short term.

Demand across the whole range of textile products and services continued to be strong, with the hosiery division in particular, experiencing another very successful year.

The directors said that the current year's trading had commenced satisfactorily with the first two months' results ahead of last year.

Orders for both textiles and electronics business were at record levels and they expected the group to experience further continued demand for its products and services and anticipated the outcome of the remainder of the year with confidence.

Operating profit last year improved from £1.23m to £1.5m; net interest payable was up from £115,000 and £171,000 and exceptional items relating to re-organisation and termination costs were £164,000 (nil). Tax took £401,000 (£451,000) and minorities £17,000 (£33,000). There was an extraordinary credit of £157,000 (nil) which was the net profit after tax on the sale of the knitwear division less costs of discontinuance.

Earnings per 25p share worked through at 19.65p (16.71p) and the dividend is raised from 7p to 8p with a final of 5.8p (5.3p) per share.

Prontaprint falls 74% after subsidiary losses

A SUBSIDIARY'S trading losses and higher marketing expenditure saw profits at Prontaprint Holdings, USM-quoted franchiser of high-speed print shops, fall by 74 per cent to £213,000 pre-tax for the year to March 27.

Turnover fell from £3.76m to £3.54m after two disposals and the lower level of franchise fees received, said Mr Edwin Thirlwell, chairman.

The £65,000 trading losses of Fudge Kitchen, the group's specialist confectionary retailer, pulled profits down, and closure costs of £363,000 for the offshoot were shown as an extraordinary item.

Marketing costs in the UK had been abnormally high, he said, partly because of the television advertising campaign in April and May of 1986.

Earnings per share fell from 7.7p to 2.3p. The directors maintained the interim dividend at 1p but will not be recommending a final — shareholders received a total of 2.5p previously.

The group's strategy for improving future results includes developing the profitable Prontaprint core business, and launching an aggressive franchise recruitment campaign in the UK and abroad to improve the sale of franchises in the current financial year.

"The directors are confident that these actions coupled with intensified sales activities in conjunction with our licensees, will improve performance," said Mr Thirlwell.

Sales by franchisees in the current financial year were ahead of the comparable period last year, and the directors expected to see a substantial improvement in profits.

Overseas, development continued and the group is now operating in 10 countries. The total of 453 units includes 65 new shops opened in the year. Pilot units have also been opened in Holland and Italy.

The group's new corporate identity had been further refined, he said, and new style shops were already open in Madrid, Copenhagen, Amsterdam and Turin. The move [illegible] in a wider range of goods and services

[illegible] income contributed £134,000 (£190,000) and interest payments took £20,000 (£8,000).

● comment

Few will disagree with the chairman's comment that these were a "disastrous" set of figures. And it will take the market a good deal more than one year to forget Prontaprint's two-year post-flotation performance—the shares are now 71p against the placing's 138p. The losses on Fudge Kitchen, a failed and now abandoned diversification, may be a thing of the past but it does point up a serious problem. Prontaprint's capital employed amounts to a meagre £2½m, of which about £1m is held in cash. Leaving aside the non-formula sideways moves, sustaining a decent return on funds is hard work (which is perhaps why a former Wardle Storeys' finance director has found a home on the Prontaprint island) when interest rates are falling. Shorn of its loss makers and with interest accrued, this year should see £650,00 pre-tax, mostly in the second half, but the real question is what next? Business services provide only minor add-on possibilties; and unless there is a franchising/leasing brother out there which would really like 450 outlets, Prontaprint's poorly rated paper plus its £1m in cash will not buy much more than a shy at another product licence.

Rowlinson profits jump by 35%

Rowlinson Securities, property investment and development and building construction group, reported a 35 per cent increase in pre-tax profits, from £820,000 to £1.11m, for the year to March 31 1987.

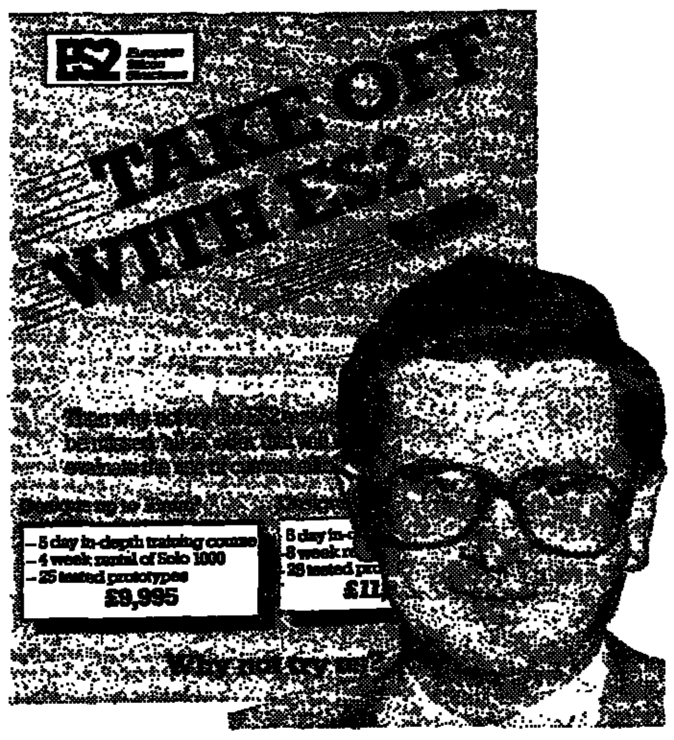
The directors said that the company's financial position was strong and all divisions were trading profitably. It was expected that profits for the current year would show a further increase.

Turnover last year rose from £6.78m to £7.01m: tax charged was £236,393 (£77,330) leaving net attributable profits of £874,498 (£742,645) and net earnings per share of 7p (5.94p).

The dividend is a total of 0.78p (0.715p) with a recommended final of 0.58p (0.534p).

YEARLINGS. — The interest rate for this week's issue of local authority bonds is 9 per cent, unchanged from last week, this compares with 9¾ per cent a year ago. The bonds are issued at par and are redeemable on June 15 1988. A full list of issues will be published in tomorrow's edition.

TECHNOLOGY



Robb Wilmot, co-chairman of ES2, foresees a time when any manufacturer will be able to design a custom chip for less than the cost of a second-hand car.

ES2 moves bespoke chips towards off-the-peg prices

The young European company is already changing the face of the world semiconductor business, reports Alan Cane

EUROPEAN Silicon Structures (ES2), an iconoclastic, pan-European semiconductor venture, will later this month take delivery of one of the keys to its future—a Perkin-Elmer Aeble 150, the last word in commercially available electron beam lithography equipment.

Costing a cool £4.5m, the Aeble 150 will make possible ES2's principal business objective: to supply its customers with silicon chips tailored to their exact specifications in substantially less time and at a greatly reduced cost compared with traditional custom design techniques.

It aims to reduce the cost of fully customised chips—the secret, many would argue, of successful niche marketing—from hundreds of thousands of dollars to a few thousand dollars.

In fact, it is meeting that objective already. A special service to entrepreneurs allows them five designs at about £2,000 each. Universities can design a wafer with up to 28 different designs on it for £10,000.

The Perkin-Elmer machine will be installed in ES2's semiconductor processing plant nearing completion at Rousset, Aix-en-Provence, in France. The first silicon samples should start to flow from there towards the end of this year.

Until then, demand for silicon products is being met from the US, through the use of Exel's fabrication facility in San Jose, California. The first Aebel 150 was installed there by ES2 engineers last year.

ES2's co-chairmen Mr Robert Heikes and Mr Robb Wilmot, writing in the 1986 annual report, concluded: "Within one year of operation, the temporary use of an existing fabrication facility in San Jose has allowed us to prove conclusively the effectiveness of E-beam fabrication."

ES2's business case, first set out in detail in 1985, rests on three main arguments:

- Direct-write electron beam lithography is an economic method of manufacturing small volumes (less than 5,000 units) of chips designed to a customer's precise specification. Research suggested that 80 per cent of all custom circuits are produced in these small volumes.
- Custom chip designs can be produced effectively and economically using the latest computer-aided design techniques.
- A European-funded and staffed semiconductor venture can hold its own with the best US and Japanese silicon houses.

Three years on, ES2 has gone a long way down the road to proving the soundness of these arguments. At the time, however, they seemed closer to heresy.

First, electron beam lithography seemed a long way from use as a production tool. Integrated circuits are traditionally manufactured by depositing a layer of metal on a silicon wafer, coating it with a material which can be activated by light ("resist") and projecting an image of the circuit pattern on to the resist. When the resist is washed off, the circuit pattern will remain in metal on the silicon surface ready for an insulating layer of silicon to be deposited on top.

Direct-write electron beam lithography takes the place of the photographic projection technique. The electron beam itself is used to write on the wafer surface, giving much improved resolution and the ability to cram more parts on to a single chip.

Early machines were slow, however, and the chief use of electron beam was for cutting "masks," circuit patterns through which light was projected on to the wafers.

IBM, with a proprietary E-beam machine design, has been using the direct-write technique for some years, but the Aeble 150 is the first commercially available equipment to offer production-level speeds.

It can process up to 30 100 mm-diameter wafers an hour, equivalent to 1,000 or more individual chips.

E-beam production technology is valuable chiefly because it reduces the time taken to make projection masks and offers high resolution, but it cannot help cut down the time spent baking the chips or treating them with etching chemicals.

The chief weapon in the company's drive to cut semiconductor lead times is computer-aided circuit design. The name of the technique is "silicon compilation." A silicon compiler is a piece of software which can take English-like descriptions of what a chip is expected to do and transform them automatically into circuit designs.

It is, therefore, a step beyond gate-array techniques, where a final customising layer or two of metal is added to a basic chip design, or semi-custom (cell library) methods where predrawn electronic circuits are stored in a computer's memory ready to be called into place to create a finished design.

ES2 has just completed the takeover of Lattice Logic, a UK company, based in Edinburgh, which is a world leader in silicon compilers. It aims to provide customers with high-performance workstations coupled with its specialised software.

The customer should then be able, given a little hand-holding, to design his own chip from scratch ready for manufacture in ES2's E-beam facility.

The logic behind this approach is a belief that demand for customer specific integrated circuits (CSICs—the more usual ASIC, application specific integrated circuit, refers to semi-custom products as well) will grow quickly until it approaches 50 per cent of the market for silicon chips.

The evidence is that the company is right. Of all ASIC designs in 1988, CSICs are expected to represent 30 per cent with ES2's share of the market topping 20 per cent.

What is remarkable about ES2 is the amount that has been achieved in a relatively short time. Customers who have been supplied with chips range from British Aerospace and GEC to a small Scottish security company, Raannd, making secure postal boxes for the Middle East. According to Mr Rod Attwool, director for northern Europe, every chip the company has fabricated has worked first time.

ES2 is changing the face of the custom chip business. Its advertising reflects the change from esoteric. high ticket business to standard service complete with discounts and special promotional offers. Mr Wilmot foresees the time when any manufacturer will be able to design a custom chip, adding value to his product, for less than the cost of a second-hand car.

WORTH WATCHING

Edited by Geoffrey Charlish

Kodak homes in on electronic images

FOLLOWING ITS announcement a year ago of Megaplus, a filmless still camera for industrial and professional purposes, Eastman Kodak has revealed a range of products that allow still colour video images to be stored on miniature floppy disks, sent over phone lines and printed out in colour. Each of the disks hold 25 images and the multi-disk recorder can store 1,500 pictures.

Mr E. K. Paxton, manager of Kodak's electronic photography division sees a "multi-billion dollar" business developing in this area. But so far Kodak has said little about its intentions in the consumer electronic photography market.

Australian designs for UK circuits

AUSTRALIAN CHIP technology is making its appearance in the UK via the London-based Integrated Circuit Design Centre. The Centre is the European arm of Integrated Silicon Design, which was set up in 1984 to exploit research at the University of Adelaide. Products and services to be offered include very large scale integration (VLSI) design software, custom design and some seminars on VLSI and gallium arsenide technology.

Keeping the rain off outdoor work

WORK CAN continue during wet weather at construction sites and similar locations using an air-supported "instant" building developed by Airclad of Nottingham in the UK.

A small, packed Airclad unit fits into the back of a hatchba k car and will cover an area of 3 x 4.5 metres, although units up to 20 x 50 metres can be m de.

The Aircla product becomes rigid an assumes its final size by irtue of a framework of interconnected, inflated tubes made of very tough nylon-reinforced polyvinyl chloride. These are pumped up and kept stable by air from an electric or petrol-driven fan. The covering is made of translucent material that allows natural lighting, although ceiling points are able to support light fittings.

US lifts its R & D spending

RESEARCH AND development spending by companies reached a record $41.3bn in the US in 1986, some 9 per cent more than the 1985 figure according to a survey carried out by Inside R&D, the weekly bulletin published by Technical Insights of New Jersey in the US.

The result was considered surprising in view of the generally lower sales and profits of the top 500 US companies and the merger and restructuring activity that was going on. The Star Wars programme accounted for some of the increase but civil aerospace, computer and electronics R&D expenditure was also up, Boeing's by 85 per cent for example, and Apple Computer's by 76 per cent ($22,800 per employee).

The list of top spenders, however, remained much about the same: General Motors ($4.2bn), IBM ($4bn), Ford ($2.3bn), AT&T ($2.3bn) and General Electric ($1.3bn), followed by Du Pont, Eastman Kodak, United Technologies, Hewlett Packard and Digital Equipment.

How PC users can line up a job

FOR PERSONAL computer (PC) users, a new way of applying for jobs is emerging from Microlink, the Stockport, UK, electronic mail service.

Initially, the job hunter compiles the relevant personal information using his PC and sends it over Microlink to Central CV Register, a Swindon company working in association with Microlink. Central CV produces a professional curriculum vitae and will store it locally in a computer, from which it can be updated as necessary. The company will then telex it to employers of the subscriber's choice and provide the subscriber with paper copies.

The service is aimed initially at those interested in technology and managerial appointments. The Swindon company has applied for a licence to start an employment agency. This will enable it to find jobs for clients by dealing with employers.

Divergent views of Britain's telecoms

TWO RATHER different views of the effect so far of telecoms liberalisation in the UK have surfaced recently.

A report from Ovum, the UK market research company, looks at various countries. It finds that the end of the telecoms monopoly in the UK is bringing faster change, reduced long distance call charges and business telephone services like Centrex from British Telecom's competitor Mercury. (In Centrex, each user has a direct line to the exchange instead of a switchboard extension.) The report, "Telecommunications: the opportunities of competition," is generally bullish, asserting that the long accepted notions of telecoms as a natural monopoly no longer hold true "and are now outweighed by the advantages of competition."

The view of the UK's Telecommunications Users' Association is a little different. In the spring edition of its journal, chairman Bill Mieran writes: "Regrettably, Mercury has not become the dynamic force we expected. They seem to have settled into the duopoly with service levels not that different from BT. The pace of BT improvement in service also seems to have slowed and in some cases regressed." Mr Mieran thinks there should be more independent services like that in Hull.

A survey of 200 top UK user companies conducted by National Utility Services and quoted by the TUA Journal shows that 63 per cent think BT's services have either deteriorated or failed to improve since privatisation, while 32 per cent think pricing policy is unfair.

CONTACTS:
Ovum: London, 637 4661. TUA: London, 883 7229. Microlink: UK, 061 456 8383. Kodak: UK, 0442 61122. Technical Insights: US, (201) 568 4774. Integrated Circuit Design Centre: London, 891 3644. Airclad: UK, 0773 788352.

Japan lays foundations for building-site robots

BY PETER MARSH

ROBOTS that could do a variety of jobs on building sites are the target of a research programme involving a group of leading Japanese construction companies.

The aim of the project, which is co-ordinated by the systems science institute at Waseda University in Tokyo, is to come up with a blueprint for a series of flexible machines which could do work such as assembling steel beams, laying bricks and pouring concrete.

The computer-controlled machines would obtain information about their surroundings through television cameras and other sensors. In this way, for example, they would see that an existing wall was a certain number of bricks high and add more material to build it to a predetermined height.

Involved in the programme, which has so far cost about Y170m (£725,000), are, among others, Komatsu, Hitachi, Zosen, Kajima, Takanaka, Shimizu, Taisei, Fujita, Toda, Satokogyo and Ohbayashi. Of these, all but the first two, which make construction equipment, are building companies.

Professor Yuki Hasegawa, a robotics expert at the system science institute, explains that so far the project is basically a paper study. Production of hardware, he says, would cost the companies concerned many billions of yen.

He is hopeful, however, that if the project shows promise then a fully automated construction system would be at work on building sites by the end of the century.

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FT LAW REPORTS

Laytime runs despite the fog

BULK TRANSPORT GROUP SHIPPING CO v SEACRYSTAL SHIPPING LTD

Court of Appeal (Lord Justice Lloyd, Lord Justice Glidewell and Sir John Megaw): May 15 1987.

A SHIP'S right under a berth charter to give notice of readiness to load "whether in berth or not," arises as soon as she arrives in port and is ready to load, in the same way as under a port charter; and the ship has "arrived" if she has reached a place within the port where she is at the immediate and effective disposition of the charterers, irrespective of whether she is unable to reach an available berth due to fog.

The Court of Appeal so held when allowing an appeal by Seacrystal Shipping Ltd, owners of the Kyzikos, from Mr Justice Webster's decision that the charterers, Bulk Transport Group Shipping Co Ltd, were not liable for demurrage in respect of delay in reaching berth due to fog.

* * *

LORD JUSTICE LLOYD said that the Kyzikos was chartered on the Gencon Box lay-out form to load a cargo of steel in Italy for discharge in the US Gulf.

She arrived at Houston on December 17, 1984. A berth was available for her but she could not proceed to it by reason of fog. As a result of the fog the pilot station was closed. She gave notice of readiness as soon as she arrived, on December 17.

The owners said laytime began to run the same day. If they were right they were entitled to $30,435 demurrage. The charterers said the owners were not entitled to give notice of readiness until the vessel berthed on December 20, or perhaps when she had left her anchorage on her way to berth. If they were right no demurrage was due.

The charter provided that time was to commence within specified hours after notice of readiness to load was given "time to count . . . Wibon [whether in berth or not]."

It was common ground that the *contractual destination* was the discharging berth. In other words, it was a berth charter rather than a port charter.

The arbitrator held that the effect of "whether in berth or not" was to make what would otherwise have been a berth charter into a port charter. He went on to hold that time started to run on December 17.

Mr Justice Webster took a different view on both points.

As to the first point he held that the shipowners' primary obligation was to reach the contractual destination, namely the berth; and that "whether in berth or not" did not override that obligation—the charter remained a berth charter. He said that "whether in berth or not" meant that notice of readiness could be given and time start to run when the vessel was within the named port *waiting for a berth to become available*. Here the vessel was not waiting for a berth to become available. She was waiting for the fog to clear.

There was nothing in the wording of the provision which limited its operation to such a case. The wording was quite general. Notice of readiness might be given whether in berth or not. *Ex hypothesi*, therefore, notice of readiness *might be given before the vessel had reached its contractual destination.*

Some limit must, of course, be placed on the provision. Nobody suggested that notice of readiness could be given while the vessel was still at sea.

If a limit were to be placed on the clause, it was better that it should be by reference to the *place* at which notice of readiness might be given, rather than the *reason* why the vessel was unable to proceed to berth.

Certainty was of great importance. The traditional view of "whether in berth or not" had always been that it enabled a valid notice of readiness to be given as soon as the vessel had arrived in port, provided the other conditions of valid notice were satisfied.

The traditional view was preferable as a matter of construction, and afforded a greater degree of certainty in practice.

"Whether in berth or not" enabled valid notice of readiness to be given once the vessel had arrived in port, even though the reason she was prevented from proceeding further was not unavailability of a berth, but bad weather.

In practical terms the effect of "whether in berth or not" was to turn a berth charter into a port charter.

The conditions which must be fulfilled before a vessel was entitled to give notice of readiness in a port charter were well-established.

First, she must have arrived at the place within the port where she was at the immediate and effective disposition of the charterers. Second, she must be ready, so far as she was concerned, to load or discharge cargo. She need not be absolutely ready, but she must be capable of being made ready by the time her cargo gear was needed.

It was not suggested that the second condition was not fulfilled in the present case, or that the vessel was not ready in herself. The suggestion was that the first condition was not fulfilled.

Mr Eder for the charterers argued that the vessel could not, as a matter of common sense, be said to be at the immediate and effective disposition of the charterers if she was unable to proceed by reason of fog.

The majority House of Lords decision in *the Aello [1961] AC 135* approved the so-called "Parker test" for an arrived ship in a port charter, namely that the vessel must have reached that part of the port known as the "commercial area," where a ship could be loaded when a berth was available, albeit she would not be loaded until one was available.

In the Johanna Oldendorff [1974] AC 479, 535 the House of Lords overruled *the Aello*. For the Parker test it substituted what became known as the "*Reid test*"—*before a ship* could be said to have arrived at port "she must, if she cannot proceed immediately to a berth, have reached a position within the port where she is at the immediate and effective disposition of the charterer. If *she is at a place where* waiting ships usually lie she will be in such a position . . ."

The effect of substituting the Reid test was to extend the distance from the actual loading or discharging spot at which the ship could be said to *have arrived, though she* must still be within the legal limits of the port (see *the Maratha Envoy [1978] AC 1).*

When the Parker test prevailed it was never suggested that the weather was a relevant factor. Once a ship was *anchored* in the commercial area and ready in herself, she was entitled to give notice of readiness, even if she was unable to proceed to berth by reason of bad weather.

The Reid test was not intended to introduce a new factor. There was nothing to suggest that if the ship was where waiting ships usually lay she might nevertheless not be at the immediate and effective disposition of the charterers because of the weather.

It was conceded by Mr Eder that a vessel could be at the *immediate and effective disposition* of the charterers despite a temporary obstruction in the fairway preventing her getting into berth when vacant.

There was no difference in principle between a temporary obstruction of the fairway and *the temporary closing down of* the pilot station by reason of fog, or strike, or for any other reason.

The Reid test was a convenient and practical test for ascertaining the place for determining whether a vessel had "arrived." It would be much less convenient and practical if in addition to ascertaining that place one had also to inquire as to the circumstances prevailing when the vessel arrived there.

There were only two questions to be *answered*—*where* did the vessel have to be, and was she ready in herself? The Reid test provided the answer to the first question. There was nothing in *favour* of having to ask a third question to which the answer would vary according to circumstances.

Mr Eder's submissions were rejected. The appeal was allowed.

Lord Justice Glidewell and Sir John Megaw concurred.

For the shipowners: Martin Moore-Bick QC and Charles Priday (Middleton Potts and Co.).

For the charterers: Bernard Eder (Holman Fenwick and Willan).

By Rachel Davies
Barrister

CORRECTION—In *Dews v NCB, FT, June 9, 1987:* "So bizarre a result could not be acceptable" should appear at the end of the penultimate paragraph in the third column and not at the end of the preceding paragraph.

<u>NOTICE OF REDEMPTION</u>

J. C. Penney International Finance Corporation

4½% Convertible Subordinated Guaranteed Debentures Due 1987

NOTICE IS HEREBY GIVEN to the holders of the 4½% Convertible Subordinated Guaranteed Debentures Due 1987 (the "Debentures") of J. C. Penney International Finance Corporation (the "Company") that, pursuant to the provisions of the Indenture, dated as of August 1, 1972 (the "Indenture"), among the Company, J. C. Penney Company, Inc. ("Penney"), and Morgan Guaranty Trust Company of New York, Trustee, the Company has elected to redeem all of the Company's outstanding Debentures on July 22, 1987 (the "Redemption Date") at a redemption price equal to their principal amount, together with interest accrued to the Redemption Date.

On and after the Redemption Date, the redemption price of the Debentures will be paid upon presentation and surrender of the Debentures, together with the August 1, 1987 coupon attached.

Accrued interest to the Redemption Date will be paid in the amount of $43.88 per Debenture. On and after the Redemption Date interest shall cease to accrue on the Debentures.

Debentures are required to be presented and surrendered for redemption at any of the following paying agencies:

Morgan Guaranty Trust Company of New York
Corporate Trust Office
30 West Broadway
New York, New York 10015

Morgan Guaranty Trust Company of New York
Avenue des Arts 35
1040 Brussels, Belgium

Morgan Guaranty Trust Company of New York
Mainzer Landstrasse 46
6000 Frankfurt-am-Main
West Germany

Morgan Guaranty Trust Company of New York
14, Place Vendome
75001 Paris, France

Morgan Guaranty Trust Company of New York
Morgan House
1 Angel Court
London, EC2R 7AE, England

Morgan Guaranty Trust Company of New York
New Yurakucho Building
12, 1-chome, Yuraku-cho, Chiyoda-Ku
Tokyo, Japan

Credito Romagnolo S.p.A.
Sede Di Milano
Via Armorari, 14
20123 Milano, Italy

Bank Mees & Hope N.V.
Herengracht 548
P.O. Box 293
Amsterdam, 1000
The Netherlands

Kredietbank S.A. Luxembourgeoise
43, Boulevard Royal
Boite Postale 1108
Luxembourg

Payment at any agency *outside The City of New York shall be made* by a check *drawn* on a Dollar account, or by transfer to a Dollar account maintained by the payee, with a bank in The City of New York.

The Debentures are presently convertible at the above places into Common Stock of 50¢ par value ("Common Stock") of Penney at a conversion price of $41.01 per share.

The right to convert the principal of the Debentures into Common Stock of Penney will expire at the close of business on the Redemption Date.

No payment or adjustment will be made upon any conversion on account of interest accrued on any Debenture surrendered for conversion or on account of any dividends on the Common Stock issued upon conversion.

Coupons which have matured prior to the Redemption Date should be detached, presented and surrendered for payment in the usual manner.

J. C. PENNEY INTERNATIONAL FINANCE CORPORATION

D. A. McKay
Treasurer

June 10, 1987

<u>NOTICE</u>

Withholding of 20% of gross redemption proceeds of any payment made within the United States is required by the Interest and Dividend Tax Compliance Act of 1983 unless the paying agency has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent if presenting your Debentures to the paying agency's New York Office.

COMMODITIES AND AGRICULTURE

Protection attacked at Food Council

DELEGATES TO a meeting of the United Nation's World Food Council said the US, the EC and Japan had damaged the economies of poorer nations through protectionist agricultural policies, reports Reuter from Peking.

They said over-production had pushed food prices down, hurting the export trades of less developed countries and indirectly fostering hunger and malnutrition.

The Australian delegate unveiled a plan to cut record food stockpiles and liberalise agricultural trade. He said the US, the EC and Japan practiced 80 per cent of the protectionism in the Organisation for Economic Co-operation and development.

"Strategies must be deployed to bolster western nations' political discipline," said Mr Geoffrey Miller, the Secretary of Australia's Department of Primary Industry.

Canadian Wheat Board Minister of State Mr Charles Mayer called current world farm trade "the greatest and most tragic paradox in agricultural history. A world where 500m human beings are undernourished while food production and stocks have grown to record levels.

Indian cotton

INDIA'S COTTON crop inthe current season totals 9.5m bales of 170 kgs each, down 2m from the record 11.55m in 1985/86, an official of the East India Cotton Association said yesterdays reports Reuter from Bombay.

EICA president Mr C. Mirani told a meeting of traders that dry weather in some cotton-growing states and reduction of the area under cotton cultivation hadresulted in lower output this year. He said unprofitable raw cotton prices led to a fall in the area under cultivation to 6.92m hectares in 1986/87 from 7.36m the year before.

Pakistan wheat

PAKISTAN's wheat crop, hit by unseasonal rains and hailstorms last month, is expected to be 12.13m tonnes, against a target of 14.7m, a Government official said, reports Reuter from Islamabad.

Parliamentary Secretary for Food and Agriculture Mr Siddique Kanju told the National Assembly damage to the crop in the main growing province of Punjab was 21 per cent.

Japanese rice

Mr Mutsuki Kato, Japan's Agriculture Minister, said he would refuse to discuss opening Japan's ricemarket to the US, according to Ministry officials, reports Reuter from Tokyo.

"There is no official request for such talks by the US. But even if there were, I would refuse to join in," the officials quoted him as saying.

New York exchanges in fresh talks on merger

BY DAVID OWEN IN CHICAGO

MOMENTUM to merge New York's two largest futures exchanges, Commodity Exchange Inc (Comex) and the New York Mercantile Exchange (Nymex), appears once again to be building, following an informal meeting of Board members from both exchanges last week.

More formal discussions between the exchanges' respective merger committees, originally formed last autumn, were due to take place yesterday. However, exchange officials warn that many obstacles remain to be negotiated before any agreement can be consummated.

"It will be several months before anything formal goes to members," Ms Rosemary McFadden, the Nymex president said. "The meeting took us a lot further spiritually but in terms of a timetable it did not really alter it," added Mr Alan Brody, Comex's chief executive officer.

Closer co-operation between the two institutions, which currently operate in the shadow of Chicago's two huge exchanges, has been intermittently under discussion since at least 1979, when a trading crisis at Nymex scuppered immediate hopes of agreement.

While combined volume at the two exchanges (based on 1986 figures), is less than one-half that of the Chicago Mercantile Exchange and less than one-third that of the Chicago Board of Trade, a merger would probably create the world's largest arena for traditional commodity futures trading.

More importantly, such a move should permit significant cost savings through economies of scale and the more efficient allocation of resuorces and give the merged body much greater clout in the industry at large and the marketing of new products.

In 1986, the two exchanges experienced vastly contrasting fortunes. At the 115-year-old Nymex, volume soared no less than 89 per cent on the back of volatile energy and platinum markets. At the 54-year-old Comex, however, the overall volume of trading on its gold, silver, copper and aluminium contracts actually declined marginally.

Comex ran into further trouble last month when it encountered problems with unresolved trades in the wake of unprecedented volume and volatility in its precious metals markets.

At this stage, the three smaller New York futures exchanges—the New York Cotton Exchange, the Coffee Sugar and Cocoa Exchange and the New York Futures Exchange — are not involved in the marger discussions.

In April, NYFE agreed to acquire an interest in the Cotton Exchange and to move its trading operations to the Cotton Exchange floor.

Gulf Aluminium plan advances

BY ANGELA DIXON IN DUBAI

A $1bn project to build an aluminium smelter in the tiny Gulf emirate of Umm al Quwain moved a step closer this week when the emirate's ruler Shaikh Rahsid al Mualla, gave his assurance that gas supply would be provided. Although gas is abundant in the region its supply has been the main question mark hanging over the project.

The Government of Umm al Quwain—part of the United Arab Emirates federation—will take 30 per cent of the voting equity of $150m. The capital of the company will be raised from $35m to $300m.

These developments were announced after a board meeting of the new company by Mr Paul Brauner, the entrepreneur who has already succeeded in organising two aluminium projects in the Gulf—one in Bahrain and one in Dubai.

Players in the Umm al Quwain project so far include four engineering companies engaged as contractors—Balfour Beatty, Brown and Root, the West German Ferrostaal, and Hawker Siddeley. Engineering design is almost complete, and the project is set to reach "contract effectiveness" by the end of November.

Everbright Industrial Company and National Minerals and Metals Import and Export Corporation, both of China, have agreed jointly to purchase 78,000 tonnes per annum of ingot on a 12-year take-or-pay basis.

In addition a joint venture between Furukawa of Japan and Southwire of the US has undertaken to purchase 120,000 tonnes per annum and Austria Metal AG, 25,000 tonnes per annum in the form of billet, rolling slab and other up-stream products.

The Arab Banking Corporation has expressed an interest, according to Mr Brauner, in underwriting a large part of the preferred stock and in providing banking management.

Lloyds Bank International has prepared a funding scheme for work-in-progress, while Standard Chartered Merchant Bank will act as financial adviser to the project.

Other participants in the project include Aluminium Company of America, for technology provision; W. S. Atkins, as verifying engineers, and Widnell and Trollope, quantity surveyors.

Wool prices forecast to fall further

BY ANN CHARTERS IN SAO PAULO

THE RECENT fall in world prices is likely to continue as more and more buyers withdraw from the market, according to Mr Jean Marie Segard, president elect of the International Wool Federation.

Prices rose by about 20 per cent earlier this year, reflecting increased purchases by the Soviet Union and China. Mr Segard told the 56th International Wool Conference in Rio de Janeiro this week that the two communist countries had increased purchases by about 40 per cent while Japanese demand had also risen, influenced by the stronger yen. But he said buying countries were now resisting the high price levels.

Developing countries were likely to maintain their current levels of consumption over the next few years, he said, with annual demand fluctuations limited to 1 or 2 per cent.

Overall wool production should increase next year, he added. But in Australia, the world's biggest producer with 500,000 tonnes from the last shearing, and South Africa, ranked among the top five producers, some farmers were expected to shift away from sheep, given the poor commercial prospects for wool.

Brazil's wool production, concentrated in the southern-most state of Rio Grande do Sul, varies between 25,000 tonnes and 30,000 tonnes annually, with 87 per cent exported either unfinished or as manufactured goods.

The EC imported most of the $70m worth of wool exported from Brazil last year.

Rethinking Argentina's beef policy

BY TIM COONE IN BUENOS AIRES

A TRIP across Argentina's vast pampas grasslands today is an object lesson in the country's economic history. The barbed-wire fences dividing up the flat expanses have fallen into disrepair; the railways now are slow and unreliable; the windmill water pumps rattle and screech in the breeze, marking the locations of boarded-up haciendas.

All those developments were made at the end of the last century, alongside a wave of immigration from Europe and the importation of some of the best British beef specimens. Within a generation the desolate pampas were teeming with cattle to feed the stomachs of Europe—especially Britain.

But that was in those distant days before the EC, and more recently the Falklands war. The pampas are as fertile as ever; the smell of grilling rump steaks continues to waft through the lunchtime air of Buenos Aires and the price still amazes the visitor—"less than a pound of tomatoes" exclaimed a friend the other day.

But Argentine beef has lost its place in the world market. Exports have fallen to a quarter of their peak 60 years ago. The one-time backbone of the economy now only provides some 5 per cent of export earnings and GNP.

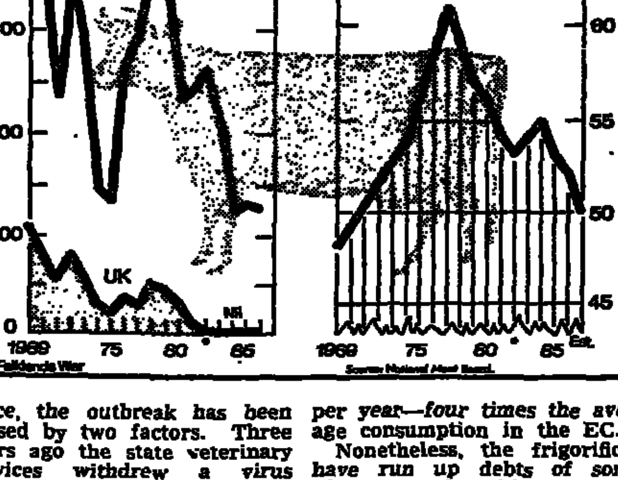
Why? "EC subsidies and beef mountains," says Mr Alfredo Viceconte, who has spent most of his life at the National Meat Board, monitoring the changing fortunes of the Argentine beef industry. As if reflecting the hopelessness of it all he this year volunteered for early retirement.

"Beef in the EC costs three times more in dollar terms to produce than it does in Argentina. Yet the EC exports it at half the price," he observes.

"On top of that we had the 1982 war, and lost what was left of the market, especially corned beef, to Brazil," say Mr Viceconte. That trend was partly reversed during 1986, but the future behaviour of the EC and Brazilian markets continue to be sources of concern for Argentine producers.

The main markets—the EC, the US, Canada and Japan—are now all controlled by quota arrangements. Argentina is meanwhile being pushed out of the markets in Egypt, North Africa, the Middle East and the Soviet Union, by subsidised sales from the EC. And as if those problems were not enough, a new outbreak of foot-and-mouth disease threatens to affect 40 per cent of the national herd.

According to Dr Hector Molinuevo, The Agriculture Minister for Buenos Aires province, the outbreak has been caused by two factors. Three years ago the state veterinary services withdrew a virus strain from the vaccine used against the disease, believing it to be no longer a danger. But that strain has now re-emerged. At the same time, severe flooding affecting 3.5m hectares of grazing land (almost 8 per cent of the total) has forced the transfer of over 1m animals to drier pastures, spreading the disease to previously uninfected farms.



Dr Molinuevo insists that tight sanitary controls are being maintained in the export meat packing plants or "frigorificos," as well as from disease-free farms. However, the pressure on the industry is just one more factor which is forcing what some see as an irreversible decline in Argentina's share of the international market.

Mr Viceconte said that of 80 frigorificos in the country, only 10 are in a healthy financial condition, those being in the capital, where the large domestic market has been able to take up the slack from reduced export demand. The one ray of light in this sombre picture, is the ever-buoyant domestic demand for beef. Argentines are amongst the biggest meat-eaters in the world, consuming on average 100 kgs each per year—four times the average consumption in the EC.

Nonetheless, the frigorificos have run up debts of some $500m—mostly with provincial and government banks according to Mr Viceconte—creating costly salvage problems for the central bank and converting the beef crisis into a major political one in rural Argentina.

The meat-packers have traditionally been an important sector within the Argentine trade union movement, and the lay-offs of thousands of workers provoked by the recession is putting great pressure on local politicians. The Government has proposed new hygiene and management regulations to force the smaller municipal and local slaughterhouses to upgrade their plants, or to merge with the Frigorificos, as a means of rationalising the industry. Cattle producers are worried by the proposals, however, fearing that in many of the provinces the disappearance of the small slaughter houses will give far greater market power to the frigorifico owners. Many of the provincial plants are family businesses and the cattle ranchers' fear is that monopoly pricing will ensue, concentrating economic and political power within certain family groups at the expense of their own.

The problems facing the industry are no longer the simple cyclical problems—related to periodic world overproduction or seasonal functuations—and they may force fundamental structural changes in Argentine beef production.

One possible escape route being sought by the Government is the world market for high quality beef cuts (the Hilton quota for example), worth up to $5,000 per tonne, instead of the average $1,200 for the standard chilled or frozen quarters. The first 5,000 tonnes were exported in 1980 and the trade have been on the increase ever since. Mr Alfredo Bigatti, the President of the Meat Board says that this strategy, togther with a rationalisation of the meat-packing industry, offers the only ways forward for Argentina's beef industry.

Concern is also being expressed over domestic demand, but for different reasons. According to Mr Ignacio Iriarte, an agricultural economist and specialist in cattle production, the present low in the Argentine herd of 50m head is likely to remain for two to three years yet, and with slight improvement on the horizon for exports at the quality end of the market, there is likely to be a shortage of supply. About 15 per cent of family incomes is spent on meat products, mostly beef or its derivatives, and this is the most politically sensitive of all the price indicators. When the price of beef goes up, so do wage demands throughout the economy. For today's Government facing crucial mid-term elections in September, it is the unfortunate legacy of a society that was built and subsequently raised on beef.

LONDON MARKETS

COCOA VALUES came under renewed pressure on the London futures market yesterday, reflecting sterling strength against the dollar, reports of fresh sales by French-speaking West African producing countries, and the absence of buffer stock buying. The September position ended £16 down at £1,219.50 a tonne, wiping out Monday's tentative recovery, after dipping to a four-year low of £1,215 at one time. Meanwhile producing and consuming members of the International Cocoa Organisation began four days of talks on measures to supplement the organisations buffer stock operation, which has failed to halt the slide in prices since it came into operation last month. Consumers and producers met separately yesterday morning to discuss details of a cocoa withholding scheme which would provide a fall-back position should the buffer stock manager be forced to exhaust his 150,000 tonnes buying capacity or run short of funds.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial close (p.m.) $ per tonne	+ or —	High / Low
Cash	—	—	—
3 months	1567-9	—19.5	1577/1567

Official closing (am): Cash ——— (———), three months 1,571 (1,582-3), settlement ——— (———). Final Kerb close: 1,568-71. Turnover: 800 tonnes.

99.5% purity	£ per tonne		
Cash	897-80	—21.5	904/902
3 months	879-80	—17.25	889/878

Official closing (am): Cash 902-3 (926.5-7.5), three months 897-8 (902-2.5), settlement 903 (927.5). Final Kerb close: 876-7. Turnover: 11,000 tonnes.

COPPER

Grade A	Unoffic'l close £ per tonne	+ or —	High/Low
Cash	951-2	—6	957/956
3 months	929-30	—7.25	938/927

Official closing (am): Cash 955.5-6 (954-5), three months 936-6.5 (933-4), settlement 956 (955). Final Kerb close: 927-7.5.

Standard			
Cash	920-2	—3	930/925
3 months	905-7	—5.5	—

Official closing (am): Cash 924-6 (920-3), three months 912-4 (905-10), settlement 926 (923). US Producer prices 72-77 cents a pound. Total Turnover: 44,575 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	371-3	—11	—
3 months	353-4	—10.25	366/348

Official closing (am): Cash 368-9 (385-6), three months 348-9 (364-5), settlement 369 (386). Final Kerb close: 351-2. Turnover: 12,750 tonnes. US Spot: 24-27 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2650-5	—17.5	2645
3 months	2668-70	—14	2685/2665

Official closing (am): Cash 2,643-7 (2,640-50), three months 2,6580-3 (2,675-80), settlement 2,647 (2,650). Final Kerb close: 2,670-5. Turnover: 2,178 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	551-2	+7	552/547
3 months	5,27-7.5	—4.57	533/526

Official closing (am): Cash 547-8 (542-3), three months 527-8 (531-2), settlement 548 (543). Final Kerb close: 526-6. Turnover: 23,875. US Prime Western: 45-45.75 cents a pound.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.	Puts Nov.
Aluminium 99.7%	—	—	—

		Calls July	Calls Sept.	Puts July	Puts Sept.
Aluminium 99.5%	1,475	—	—	27	64
	1,500	55	31	39	80
	1,525	24½	23½	—	—
Copper (Grade A)	1,525	—	—	18	34½
	1,550	35½	35½	28	47
	1,575	24	25½	—	—
Copper (Grade A) £/tonne	925	—	—	13½	24
	950	15	19	25	37
	975	7	11	—	—

Estimates.

TIN

KUALA LUMPUR TIN MARKET—Close: 16.55 (16.56) ringgit per kg. Down 0.01.

GOLD

GOLD BULLION (fine ounce) June 9

Close	$453-453½	(£273¼-273¾)
Opening	$452½-453	(£275¼-275¾)
M'n'g fix	$453.05	(£274.352)
Aft'n'n fix	$452.65	(£273.372)
Day's high	$453¼-453¾	—
Day's low	$451½-452	—

GOLD AND PLATINUM COINS

Am Eagle	$466-471	(£280½-283½)
Mapleleaf	$466½-468½	(£280¼-282)
Kr'g'r'nd	$456-459	(£274½-276¼)
½ Krug	$237½-238½	(£143-143½)
¼ Krug	$119-120	(£71½-72¼)
Angel	$463-466	(£278½-280½)
1/10 Angel	$45-50	(£27-30)
New Sov.	$106½-107½	(£64-64½)
Old Sov.	$106½-108	(£64-65)
Noble Plat	$592-602	(£356¼-362¼)

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets: GB—Cattle 98.27p per kg lw (−1.09): GB—Sheep 226.76p per kg est dcw (+12.63): GB—Pigs 79.26p per kg lw (+0.05).

JUTE

JUTE—June/July, c and f Dundee: BTC $480, BWC $480, BTD $390, BWD $390; c and f Antwerp: BTC $440, BWC $440, BWD $375, BTD $375.

INDICES

REUTERS

June 9	June 8	M'th ago	Yearago
1603.3	1608.5	—	—

(Base: September 18 1931=100)

DOW JONES

Dow Jones	June 8	June 4	M'th ago	Year ago
Spot	128.50	128.39	—	125.51
Fut	126.04	126.67	—	115.00

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	June 10 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1600/620	—20	$1585/625
Copper			
Cash Grade A	£951.5	—6.0	£919
3 months	£929.5	—7.25	£893.75
Gold Troy oz	$453.25	—2.5	$454.5
Lead Cash	£372	—11	£420
3 months	£353.25	—10.25	£371.75
Nickel			
Free Mkt.	188/218c	+1	214/234c
Palladium oz	$139.00	+0.5	$147.00
Platinum oz	$576.00	—8	$612.00
Quicksilver†	$255/265	—5	$270/280
Silver troy oz.	467.70p	—11.5	497.35p
3 months	477.80p	—11.85	508.15p
Tin			
free Mkt.	£4090/120	—20	£4145/165
Tungsten	$58.16		$46.93
Wolfram 22.01b	$48/55		$50/55
Zinc	£551.5	+7	£554.5
3 months	£527.25	—4.75	£550.5
producers	$830		$790/840
OILS			
Coconut (Phil)	$425z	—5	$415
Palm Malayan	$340v		$337.5
Seeds			
Copra (Phil)	$265v		$270
Soyabean (U.S.)	$154	—2	$148
GRAINS			
Barley Fut. Sept	£97.70		£98.66
Maize	£152.00		£146.50
Wheat Fut. Sept	£100.15	+0.25	£122.10
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept	£1219.5	—16	£1293.5
Coffee Ft. Sept	£1305.5	—11	£1349.5
Cotton A Ind.*	78.40c	—1.25	74.80c
Gas Oil July	$156.75	+0.50	$156.25
Rubber (kilo)	62.75p	—0.75	61p
Sugar (raw)	$168.0z	+1.2	$176.5
Wooltops 64s	487p kilo	—2	481p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. v July. z June/July. x July/Aug. y Aug.

SILVER

Silver was fixed 11.5p an ounce lower for spot delivery in the London bullion market yesterday at 467.7p. US cent equivalents of the fixing levels were: Spot 771.5c, down 14.5c; three-month 785.4c, down 14.75c; six-month 799.55c, down 15c; and 12-month 830-85c, down 15.3c. The metal opened at 468-471p (770-774c) and closed at 468-469p (772-776c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	467.70p	—11.5	464p	—21
3 months	477.80p	—11.9	476p	—20
6 months	487.15p	—12.4	—	—
12 months	507.10p	—12.9	—	—

LME—Turnover: Nil (8) lots of 10,000 ounces.

Final kerb close: 475-9.

COFFEE

Technically-based selling drove robustas lower again today, reports Drexel Burnham Lambert. After a steady opening levels started to ease initially through a lack of liquidity by early afternoon the technical selling entered the market pushing levels some £27 below yesterday's close, the selling was slowly absorbed and when exhausted trade buying rallied prices back to the highs of the day. A lack of follow-through prevented further gains and levels eased on the close to finish lower on the day.

COFFEE	Yesterday close	+ or —	Business done
July	1288-1289	—5.0	1302-1270
Sept.	1305-1306	—11.0	1322-1288
Nov.	1327-1329	—9.5	1345-1308
Jan	1351-1355	—0.5	1361-1330
Mar.	1370-1375	—	1380-1355
May	1380-1400	+1.5	1397-1375
July	1390-1415	—2.5	—

Sales: 3,643 (2,772) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for June 8: Comp. daily 1979 104.65 (104.08); 15-day average 109.41 (110.02).

COCOA

allied to sterling strengthening cocoa futures eased £20.00 or so and closed on a weak note. Producers remained withdrawn but some light consumer offtake was seen, reports Gill and Duffus. With no buffer stock buying today

	Yesterday's close £ per tonne	+ or —	Business done
July	1233-1235	—13.5	1256-1229
Sept.	1219-1220	—16.0	1249-1215
Dec.	1243-1244	—18.0	1267-1240
March	1268-1270	—16.0	1291-1267
May	1289-1290	—15.5	1311-1287
July	1307-1311	—15.5	1323-1306
Sept	1327-1331	—15.0	1347-1328

Sales: 4,649 (4,173) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for June 9 1,511.23 (1,511.42): 10-day average for June 10 1,526.31 (1,529.85).

FREIGHT FUTURES

The return of the Continent after the Whitsun holiday did not serve as a specific influence. Opening 10 points higher the market traded in a narrow range during the morning with stop loss buying featuring toward the close of the afternoon, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
July	879	895/855	860
Oct.	960	965/930	920/925
Jan.	970	970	1000
Apr.	1005	1005	1025
July	—	—	900
Oct.	—	—	850/880
Jan.	—	—	1000
April	—	—	1000/1040
BFI.	985.5	—	986.5

Turnover: 239 (152).

GRAINS

Old crop wheat found short covering interest tempted by one shipper/brokers offers at 118.00 and bulk of day/s trade occurred at this level, closing fractionally easier. New crops steadied after an easier start, again with profit takers keen to unload short positions, reports T. G. Roddick.

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
July	117.90	+0.55	—	—
Sep.	100.15	+0.25	97.70	—
Nov.	102.65	+0.35	100.15	—
Jan.	105.25	+0.35	102.55	—
Mar.	107.70	+0.25	104.80	—
May	110.40	+0.25	106.35	—
July	112.45	+0.20	—	—

Business done—Wheat: July 118.00-7.90, Sept 99.90 only, Nov 102.65-2.15, Jan 105.25-4.80, March 107.50-7.40. Sales: 166 lots of 100 tonnes. Barley: Nov 100.15-0.10, Jan 102.55 only, March untraded. Sales: 46 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Hard Winter, 13½ per cent: July 91.75, Aug 91.25, Sept 92.50. US No 2 Soft Red Winter: July 83.50, Aug 84.25, Sept 85.50. French 11½-12 per cent: June 143.00. English feed, fob: June 119.00 buyer, Sept 101.50-102.50, Oct/Dec 105.50-106.00, Jan/March 109.50-110.50 buyer/sellers. US No 3 Yellow/French, transhipment East Coast: Spot 152.00. Barley: English feed, fob: June 108.50, Aug 100.½, Sept 101.00 sellers. Oct/Dec 104.00, Jan/March 108.00 buyers. Rest unquoted.

HGCA — Locational ex-farm spot prices: Feed barley: S. East 103.40; S. West 102.70; W. Midlands 102.10. The UK monetary coefficient for the week beginning Monday June 15 (based on HGCA calculations, using four days' exchange rates) is expected to remain

POTATOES

The market was again quiet, trading down in thin volume before buying interest lifted values off the lows closing down on the day.

Month	Yesterday's close £ per tonne	Previous close	Business done
Nov	90.40	91.80	91.00-90.00
Feb.	99.00	100.00	—
Apr.	129.30	130.60	130.00-129.00
May.	144.00	144.30	—

Sales: 338 (229) lots of 40 tonnes.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—July		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.80-17.30	+0.025
Brent Blend	18.65-18.85	+0.10
W.T.I. (1pm est)	19.85-19.90	—0.05
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	199-202	—
Gas Oil	154-156	+1
Heavy fuel Oil	106-108	—
Naphtha	171-173	+1

* June. Petroleum Argus estimates.

RUBBER

PHYSICALS — The London Market opened slightly easier, met persistent selling throughout the day and closed steadier, reports Lewis and Peat. Closing prices (buyers): Spot 62.75p (———), July 62.75p (———), Aug 62.50p (———). Kuala Lumpur fob prices (Malaysian/Singapore cents) per kg: RSS No 1 244.5 (———): SMR

SOYABEAN MEAL

Prices collapsed on a poor close in Chicago and a firm sterling. New crop positions were the weakest on liquidating, whilst old crops found commercial support at the lower levels. Volume was thin and the tone weak, reports Muirpace.

	Yesterd'ys close £ per tonne	+ or —	Business done
June	—		—
August	150.5-151.0	—1.05	150.7-150.5
October	150.2-151.0	—1.90	151.2-151.2
Dec	150.0-150.8	—2.50	150.7-150.5
Feb	155.0-155.5	—2.25	—
April	154.0-156.5	—1.80	—
June	154.0-156.5	—1.25	—

Sales: 95 (217) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $168.00 (£102.00), up $1.20 (same) a tonne for June/July delivery. White sugar $182.60, up $2.60.

No. 6 Contract	Yest'day's close $ per tonne	Previous close	Business done
Aug	148.20-148.8	148.2-148.6	148.8-147.8
Oct	156.40-156.6	155.4-155.6	156.8-154.4
Dec	159.60-160.8	159.2-160.6	—
Mar	164.60-164.8	164.4-164.8	164.8-163.4
May	167.08-168.2	167.6-168.6	168.0-
Aug	170.00-171.4	171.8-172.0	—
Oct	173.20	172.6-175.0	172.8-172.4

Sales: 958 (1,338) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £206.00 (same) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Price for June 8: Daily price 6.40 (6.32); 15-day average 6.55

PARIS—Aug 1100-1105; Oct 1122-1130, Dec 1137-1150, March 1180-1190, May 1215-1225, Aug 1240-1255.

GAS OIL FUTURES

Month	Yest'rdy's close US$ per tonne	+ or —	Business done
June	156.00	+0.75	156.75-55.50
July	156.75	+0.50	158.50-55.50
Aug	158.25	+0.25	160.50-58.50
Sept	161.00	+1.00	161.50-60.75
Oct	163.00	+1.00	163.50-62.00
Nov	166.75	+1.25	165.75

Turnover: 4,410 (1,687) lots of 100 tonnes.

US MARKETS

THE US DOLLAR continued to dominatethe precious metals. Yesterday, as the gold, silver and platinum futures all rallied towards the close on short-covering, reports Drexel Burnham Lambert. Early trade and local selling eased prices but local short-covering touched off commission house stops as the markets recovered before the final wave of buying took prices back to the highs. Copper futures traded narrowly for most of the day before speculative buying emerged towards the close. Crude oil futures were more active than of late, though in the main activity continued to be dominated by locals although the funds were notedas sellers of the July/August switch and, once again trade support was evident. The softs were mainly quiet, tending to follow the dollar, though in sugar, trade support was responsible for a slight rally. In cotton futures follow-through commission house selling eased prices before trade buying (on a scale as well as price fix basis) saw prices recover as the market closed higher on the day. The meats were weak, cattle futures opened lower then recovered, hog futures were under pressure for most of the day while pork bellies steadied in response to firm cash prices. Wheat futures rallied in quiet trading on concerns over upcoming rains in the harvesting areas, new crop corn futures eased for the same reason, while the soyabean complex featured two-sided trading, cash demand steadying old crop, the weather easing new crop contracts.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	Prev	High	Low
June	73.80	74.10	—	—
July	72.00	72.25	72.25	72.25
Aug	70.40	70.55	—	—
Sept	69.75	70.00	70.25	70.25
Dec	68.10	69.00	—	—
Jan	69.10	69.00	—	—
March	69.10	69.00	—	—
May	69.10	69.00	—	—

COCOA 10 tonnes, $/tonne

	Close	Prev	High	Low
July	1856	1849	1862	1837
Sept	1891	1882	1893	1871
Dec	1920	1914	1922	1903
March	1948	1943	1955	1938
May	1976	1970	1969	1968
July	2005	1995	2005	1990

COFFEE "C" 37,500 lbs, cents/lb

	Close	Prev	High	Low
July	112.23	111.91	112.95	110.60
Sept	113.80	113.14	114.70	112.10
Dec	116.00	114.70	116.30	114.00
March	118.25	116.25	118.25	116.00
May	118.55	116.75	118.50	117.00
July	119.55	118.13	—	—
Sept	119.55	119.25	—	—

COPPER 25,000 lbs, cents/lb

	Close	Prev	High	Low
June	70.10	69.55	70.15	69.55
July	70.10	69.65	70.20	69.25
Aug	69.30	68.75	—	—
Sept	68.60	67.85	68.65	67.50
Dec	68.40	67.65	68.40	67.50
Jan	68.30	67.55	—	—
March	68.15	67.40	67.80	67.40
May	68.25	67.45	68.00	67.50
July	68.30	67.50	—	—
Sept	68.35	67.55	—	—

COTTON 50,000 lbs, cents/lb

	Latest	Prev	High	Low
July	72.90	72.66	73.65	72.05
Oct	70.00	70.00	70.45	69.25
Dec	69.20	69.36	69.90	68.65
March	70.75	70.09	70.55	69.36
May	70.90	70.60	70.90	70.15
July	—	70.80	70.40	70.40

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
July	19.81	19.90	19.90	19.75
Aug	19.65	19.69	19.73	19.61
Sept	19.55	19.56	19.63	19.52
Oct	19.49	19.53	19.60	19.47
Nov	19.46	19.52	19.60	19.45
Dec	19.44	19.51	19.57	19.45
Jan	19.47	19.50	19.53	19.46
Feb	19.38	19.49	—	—
March	19.35	19.48	—	—
April	19.50	19.47	—	—

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
June	457.9	449.5	458.3	452.3
July	460.0	451.5	—	—
Aug	462.8	454.3	463.2	457.0
Oct	468.4	459.7	469.0	462.5
Dec	474.0	465.1	474.5	467.6
Feb	480.0	471.0	477.0	474.0
April	526.1	516.4	—	—
June	492.3	483.1	489.0	488.0
Aug	498.9	489.6	494.0	494.0
Oct	505.6	496.2	501.3	501.3
Dec	512.3	502.8	—	—
Feb	519.1	509.5	—	—

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
July	51.55	52.00	52.05	51.30
Aug	52.50	52.56	52.75	52.05
Sept	53.35	53.30	53.55	53.10
Oct	54.30	54.10	54.30	54.00
Nov	—	54.85	54.96	54.65
Dec	—	55.55	55.70	55.35
March	54.90	54.70	54.90	54.90
April	—	54.10	—	—

ORANGE JUICE 15,000 lbs, cents/lb

	Close	Prev	High	Low
July	132.20	131.45	132.25	131.55
Sept	127.35	127.15	127.40	127.00
Nov	123.95	123.65	123.95	123.50
Jan	123.25	122.85	123.25	122.90
March	123.40	122.85	123.40	122.75
May	123.55	122.85	—	—
July	123.55	122.85	—	—

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
June	580.4	571.1	—	—
July	582.4	573.7	583.0	575.5
Aug	—	591.6	—	—
Oct	590.7	582.0	591.5	584.5
Jan	597.9	589.2	598.0	593.0
April	605.1	596.7	605.0	600.5
July	612.4	604.2	612.0	612.0

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
June	787.7	759.7	783.0	768.0
July	791.0	763.0	794.0	772.0
Aug	796.0	768.0	781.0	781.0
Sept	801.6	773.1	805.0	782.0
Dec	817.8	789.0	820.0	789.0
Jan	823.0	794.2	—	—
March	834.2	804.9	824.0	820.0
May	845.8	816.1	845.0	825.0
July	857.3	827.6	—	—

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	Prev	High	Low
July	6.60	6.64	6.68	6.57
Sept	6.79	6.73	6.83	6.72
Oct	6.98	6.96	7.02	6.89
Jan	7.12	7.10	—	—
March	7.39	7.34	7.39	7.28
May	7.51	7.48	7.52	7.47
July	7.61	7.60	7.63	7.56
Oct	7.79	7.78	7.79	7.72

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
June	68.30	68.07	68.55	68.00
August	63.05	63.20	63.55	62.57
Oct	61.50	61.90	62.15	61.20
Dec	62.87	63.02	63.27	62.45
Feb	63.17	63.35	63.45	62.80
April	62.83	63.90	64.00	63.60
June	63.30	63.30	—	—

LIVE HOGS 30,000 lb, cents/lb

	Close	Prev	High	Low
June	61.42	61.52	62.00	61.05
July	57.42	57.77	58.35	57.05
August	53.40	53.62	54.40	52.90
Oct	45.67	45.60	45.90	45.10
Dec	45.45	45.37	45.80	45.00
Feb	44.50	44.60	44.70	44.30
April	42.15	42.10	42.20	42.00
June	43.70	43.70	43.72	43.40
July	43.30	43.30	—	43.25

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	Prev	High	Low
July	187.6	188.6	189.2	187.4
Sept	190.6	192.4	192.2	190.2
Dec	194.6	197.0	196.6	193.4
March	203.2	205.4	205.0	202.4
May	207.0	209.2	209.4	206.6
July	208.6	211.0	211.0	208.4
Sept	208.0	210.0	209.4	208.0

PORK BELLIES 38,000 lb, cents/lb

	Close	Prev	High	Low
July	77.82	77.35	78.10	76.85
August	75.07	74.45	75.45	73.85
Feb	61.40	61.45	62.00	61.05
March	61.02	61.12	61.60	60.90

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	Prev	High	Low
July	557.6	557.2	561.0	554.4
August	561.6	559.6	564.8	559.0
Sept	561.0	560.2	563.4	557.4
Nov	566.4	567.2	570.0	563.4
Jan	575.6	575.4	578.0	572.4
March	584.0	584.0	587.0	581.4
May	590.4	591.4	594.0	588.4
July	591.0	592.0	—	—
August	588.0	589.0	—	—

SOYABEAN MEAL 100 tons — $/ton

	Close	Prev	High	Low
July	173.8	172.4	174.4	171.8
August	171.1	170.2	171.8	169.2
Sept	171.0	170.5	171.5	169.0
Oct	170.7	170.8	171.5	169.5
Dec	173.2	173.7	174.5	172.0
Jan	175.0	175.5	175.0	174.0
March	177.0	179.0	177.0	175.0
May	177.0	176.2	178.0	177.0
July	178.0	178.5	178.0	178.0
August	178.0	178.2	178.0	178.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	Prev	High	Low
July	16.60	16.69	16.75	16.58
August	16.81	16.89	16.93	16.78
Sept	16.98	17.07	17.12	16.96
Oct	17.17	17.23	17.25	17.15
Dec	17.47	17.55	17.52	17.46
Jan	17.58	17.65	17.68	17.57
March	17.85	17.92	17.95	17.85
May	18.12	18.10	18.15	18.10
July	18.27	18.30	18.25	18.30

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	Prev	High	Low
July	264.2	261.6	265.0	262.0
Sept	269.6	268.4	271.0	268.4
Dec	276.6	275.2	278.0	276.4
March	279.0	277.4	279.6	277.4
May	274.0	273.0	274.6	273.4
July	268.0	268.0	268.0	268.0

SPOT PRICES: Chicago loose lard 14.50 (same) cents per pound. Handy and Harman silver bullion 780.0 (767.00) cents per troy ounce. New York tin 315-8 (315-9) cents per pound.

هكذا من الأصل

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Opinion polls boost sterling

STERLING IMPROVED in currency markets yesterday, following another encouraging opinion poll for the Conservative party ahead of tomorrow's general election. The latest poll gave Mrs Thatcher a 13 point lead over the Labour party and encouraged further investment in sterling.

The pound closed at $1.6615 up from $1.6390 and DM 2.9750 from DM 9575. It was also higher against the yen at Y236.75 from Y235.0 and SFr 2.4625 from SFr 2.46. Against the French franc it finished at FFr 9.9475 from FFr 9.8925. On Bank of England figures, the dollar's exchange rate index rose to 73.3 from 72.8 at the opening and 72.7 on Monday night.

The dollar showed a small decline as dealers re-assessed the prospects of a successful outcome to the Venice summit. Comments by Mr James Baker, US Treasury Secretary, not to expect any fresh initiative tended to undermine confidence and with US trade figures for April due for release on Friday, the market retained its bearish view.

An agreement by the finance ministers of the seven leading nations to strengthen the co-ordination of their economic policies without establishing a framework if these are not achived appeared to have little impact on currency traders.

The US trade deficit is expected to be around $14bn compared with $13.6bn in March and while a figure below this would help to underpin the US unit, a higher number would create further downward pressure.

Dealers were unsure what to make of comments by Mr Henry Kaufman of Salomon Brothers which included expecting a more restrictive US monetary policy but not at the expense of economic expansion. He added that the US budget deficit would remain and that a sharp contraction was unlikely.

The dollar closed at DM 1.7905 compared with DM 1.8045 and Y142.45 against Y143.40. Elsewhere it slipped to SFr 1.4825 from SFr 1.5005 and FFr 5.9875 from FFr 6.0350. On Bank of England figures, the dollar's exchange rate index fell from 101.3 to 101.0.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7690. May average 1.7887. Exchange rate index 147.4 against 145.9 six month ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar fell to DM 1.7993 from DM 1.8114 on Friday. Markets were closed on Monday for a holiday. Most traders were awaiting the outcome of the summit in Venice although *many were inclined to believe Mr* James Baker, US Treasury Secretary, when he warned not to expect any fresh initiative.

With the Bundesbank keeping its minimum tender rate unchanged at the latest sale and repurchase agreement and concern over the release of US trade figures on Friday, the dollar retained its bearish undertone.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. May average 140.55. Exchange rate index 222.4 against 207.5 six months ago.

A more bearish re-assessment of the outcome to the Venice summit prompted further dollar selling in Tokyo. Comments by Mr James Baker, US Treasury Secretary, stressing the unlikelihood of *any fresh initiative tended* to encourage speculators to take profits. However many of the larger investors were more inclined to maintain a low profile ahead of Friday's US trade figures.

The dollar closed at Y142.70 compared with Y143.50 in New York and Y143.25 in Tokyo on Monday. Comments by Mr Satoshi Sumita, Governor of the Bank of Japan, that he would guide short term interest rates lower while *maintaining a 2½ per cent discount* rate appeared to have little initial effect.

£ IN NEW YORK

June 9	Latest	Previous Close
£ Spot	1.6610-1.6620	1.6355-1.6365
1 month	0.25-0.24 pm	0.25-0.24 pm
3 months	0.56-0.53 pm	0.64-0.61 pm
12 months	1.15-1.05 pm	1.40-1.30 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	June 9	Previous
8.30 am	72.8	72.6
9.00 am	72.8	72.6
10.00 am	72.8	72.6
11.00 am	73.0	72.6
Noon	73.0	72.6
1.00 pm	73.0	72.5
2.00 pm	73.2	72.5
3.00 pm	73.2	72.6
4.00 pm	73.3	72.7

CURRENCY RATES

June 9	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.78596	0.698862
U.S. Dollar	5.5	1.2955	1.15417
Canadian $	7.90	*	1.55051
Austrian Sch.	4	N/A	14.5772
Belgian Franc	7¾	"	43.0159
Danish Krone	7	"	7.80450
Deutsche Mark	3.0	2.3310	2.07427
Neth. Guilder	4½	N/A	2.33708
French Franc	9½	7.7911	6.93541
Italian Lira	11.5	N/A	1503.60
Japanese Yen	2½	184.93	164.527
Norway Krone	8	N/A	7.72544
Spanish Peseta	—	"	144.444
Swedish Krona	7½	"	7.25050
Swiss Franc	3.5	"	1.72318
Greek Drach.	20½	"	155.432
Irish Punt	—	"	0.774611

*C$/SDR rate for June 8: 1.73883

CURRENCY MOVEMENTS

June 9	Bank of England Index	Morgan Guaranty Changes %
Sterling	73.3	−20.2
U.S. Dollar	101.0	−6.0
Canadian Dollar	76.8	−11.6
Austrian Schilling	138.4	+10.3
Belgian Franc	100.3	−4.4
Danish Krone	93.5	+3.6
Deutsche Mark	147.4	+21.8
Swiss Franc	173.7	+23.1
Guilder	135.5	+14.4
French Franc	71.7	−12.9
Lira	47.3	−18.3
Yen	222.4	+66.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

June 9	£	$
Argentina	2.7460-2.7580	1.6600-1.6660
Australia	2.3090-2.3120	1.3980-1.3990
Brazil	60.2180-60.5560	36.4010-36.5830
Finland	7.2385-7.2510	4.3790-4.3810
Greece	219.55-223.80	133.50-135.80
Hong Kong	12.9165-12.9260	7.8085-7.8095
Iran	116.90*	70.60*
Korea (Sth)	1330.30-1342.30	813.50-820.10
Kuwait	0.46360-0.46410	0.28055-0.28065
Luxembourg	61.65-61.75	37.10-37.20
Malaysia	4.1145-4.1195	2.4870-2.4885
Mexico	2130.00-2154.00	1288.00-1300.00
N. Zealand	2.8360-2.8410	1.7175-1.7195
Saudi Ar.	6.1970-6.2025	3.7500-3.7510
Singapore	3.4900-3.6430	2.1095-2.1105
S. Af. (Cm)	3.3060-3.3215	1.9980-2.0020
S. Af. (Fn)	5.4740-5.6610	3.3060-3.4190
Taiwan	51.20-51.45	31.15-31.25
U.A.E.	6.0690-6.0740	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0159	+1.31	+0.72	± 1.5344
Danish Krone	7.85212	7.80450	−0.61	−1.20	± 1.6404
German D-Mark	2.05853	2.07427	+0.76	+0.17	± 1.0981
French Franc	6.90403	6.93541	+0.45	−0.14	± 1.3674
Dutch Guilder	2.31943	2.33708	+0.76	+0.17	± 1.5012
Irish Punt	0.768411	0.774611	+0.81	+0.22	± 1.6684
Italian Lira	1483.58	1503.60	+1.35	+1.23	± 4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

June 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6400-1.6625	1.6610-1.6620	0.27-0.24c pm	1.84	0.59-0.54 pm	1.36
Canada	2.2079-2.2330	2.2320-2.2330	0.12-0.02c pm	0.38	0.13-0.01 pm	0.13
Netherlands	3.32¼-3.36	3.34¼-3.35¼	1¼-1c pm	4.03	3¼-2¾ pm	3.50
Belgium	61.26-61.85	61.65-61.75	14-7c pm	2.04	35-24 pm	1.91
Denmark	11.11½-11.23	11.18½-11.19½	⅞-1⅝ore dis	−1.34	2⅝-3½ dis	−1.09
Ireland	1.1025-1.1135	1.1120-1.1130	0.18-0.27 p dis	−2.43	0.45-0.69 dis	−2.05
W. Germany	2.95½-2.98¼	2.97-2.98	1½-1¼pf pm	5.55	3⅞-3⅝ pm	5.04
Portugal	230.52-233.52	232.55-233.45	63-148c dis	−5.43	293-414 dis	−6.07
Spain	205.83-207.9	207.65-207.95	⅝-1⅛c dis	−5.77	2⅝-3½ dis	−5.90
Italy	2140½-2162¾	2156-2157	5¼-6⅛ lire dis	−1.39	6-11 dis	−1.58
Norway	11.00½-11.12	11.10¾-11.11¾	5¼-6⅛ ore dis	−6.14	15⅝-16½ dis	−5.78
France	9.88-9.96¼	9.94¼-9.95¼	⅝-⅛ c pm	0.45	⅝ pm-¼ dis	0.08
Sweden	10.33½-10.42¼	10.41-10.42	par-½ ore dis	−0.29	1¾-2¼ dis	−0.77
Japan	234½-237¼	236¼-237¼	1¼-1 y pm	5.70	3-2¾ pm	4.86
Austria	20.77-20.98	20.95-20.98	9¼-8¼ gro pm	5.01	24⅛-21¾ pm	4.40
Switzerland	2.45½-2.47¼	2.45¾-2.46¾	1⅛-⅞ c pm	4.87	3⅛-2¾ pm	4.77

Belgian rate is for convertible francs. Financial franc 61.85-61.95. Six-month forward dollar 0.79-0.74 c pm. 12-month 1.15-1.05c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

June 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6400-1.6625	1.6610-1.6620	0.27-0.24c pm	1.84	0.59-0.54 pm	1.36
Ireland†	1.4865-1.4965	1.4955-1.4965	0.53-0.48c pm	4.09	1.37-1.22 pm	3.50
Canada	1.3415-1.3440	1.3425-1.3435	0.15-0.18c dis	−1.47	0.40-0.43 dis	−1.24
Netherlands	2.0170-2.0280	2.0170-2.0180	0.35-0.32c pm	1.98	1.09-1.05 pm	2.11
Belgium	37.10-37.31	37.10-37.20	2pm-1c dis	0.16	7-2 pm	0.48
Denmark	6.73¾-6.77¼	6.73¼-6.73¾	1.10-1.80ore dis	−2.57	3.60-4.30 dis	−2.34
W. Germany	1.7895-1.8000	1.7900-1.7910	0.56-0.51pf pm	3.57	1.66-1.61pm	3.64
Portugal	139¾-140¾	139¾-140	60-110c dis	−7.26	230-300 dis	−7.65
Spain	125.11-125.48	125.15-125.25	60-110c dis	−8.14	210-260 dis	−7.50
Italy	1297-1305½	1297¾-1298¼	3.00-4.00lire dis	−3.22	9.00-11.00dis	−3.07
Norway	6.68-6.70½	6.68½-6.69	4.20-4.70ore dis	−7.97	12.30-12.80dis	−7.49
France	5.98½-6.02¾	5.98½-5.99	0.70-0.80c dis	−1.50	1.90-2.20 dis	−1.36
Sweden	6.26½-6.29¾	6.26½-6.27	0.95-1.15ore dis	−2.00	3.25-3.65 dis	−2.19
Japan	142.25-143.15	142.40-142.50	0.45-0.42y pm	3.66	1.29-1.24 pm	3.54
Austria	12.61½-12.64½	12.63-12.63½	3.70-3.30gro pm	3.32	10.00-9.00 pm	3.01
Switzerland	1.4820-1.4960	1.4820-1.4830	0.43-0.38c pm	3.25	1.29-1.24 pm	3.39

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.20-37.30

EURO-CURRENCY INTEREST RATES

June 9	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9¼-9½	9¼-9½	8⅞-8⅝	8⅝-8¼	8⅝-8¼	8⅞-8⅝
U.S. Dollar	6⅝-6¾	6¾-6⅞	7-7⅛	7⅛-7⁷⁄₁₆	7⅞-7⅞	7⅞-8⅛
Can. Dollar	7¾-8	7⅞-8⅛	7⅞-8⅛	8⅛-8½	8½-8¾	8⅞-9⅛
D. Guilder	5⅛-5⅜	5⅛-5¼	5⅛-5¼	5⅛-5¼	5⅛-5¼	5⅛-5¼
Sw. Franc	2⅛-2⅞	1⅞-2⅛	4-4⅛	3⅞-3⅞	3⅞-3⅞	3⅞-4
Deutschmark	3⅜-3½	3⅜-3⅜	3⅝-3⅝	3⅝-3⅝	3⅝-3¾	3¾-3⅞
Fr. Franc	7⅞-8⅛	8⅛-8⅜	8⅛-8¼	8⅛-8⅜	8⅜-8⅝	8¾-9
Italian Lire	9-11	9-10	10-10½	10-10½	10¼-10⅝	10⅞-11⅛
B. Fr. (Fin.)	6¼-6½	6⅜-6⅞	6¼-6⅞	6⅞-7	7⅛-7⅜	7¼-7⅜
B. Fr. (Con.)	6¼-6½	6½-6⅞	6½-6⅞	6⅝-7	6⅞-7¼	7⅛-7½
Yen	3¼-3⅜	3⅜-3½	3⅞-3⅞	3¾-3⅞	3⅞-3⅞	3⅞-3⅞
D. Krone	9⅞-9¾	9⅞-9¾	9½-9⅞	9½-9⅞	9½-9⅞	10¼-10½
Asian $Sing.	⅛-¼	N/A	4-4⅛	4¼-4⅜	4⅝-4¾	4¾-4⅞

Long-term Eurodollars: Two years 8½-8⅝ per cent; three years 8¾-9 per cent; four years 8⅞-9⅛ per cent; five years 9-9¼ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

June 9	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.662	2.975	236.8	9.948	2.463	3.353	2157.	2.233	61.70
$	0.602	1.	1.791	142.5	5.988	1.483	2.018	1298.	1.344	37.15
DM	0.336	0.558	1.	79.58	3.344	0.828	1.127	724.9	0.750	20.74
YEN	4.224	7.018	12.57	1000.	42.02	10.40	14.16	9109.	9.430	260.6
F Fr.	1.005	1.670	2.991	238.0	10.	2.475	3.370	2168.	2.244	62.03
S Fr.	0.406	0.675	1.208	96.14	4.040	1.	1.361	875.7	0.907	25.06
H Fl.	0.298	0.496	0.887	70.62	2.967	0.735	1.	643.3	0.666	18.40
Lira	0.464	0.770	1.380	109.8	4.613	1.142	1.555	1000.	1.035	28.61
C $	0.448	0.744	1.333	106.0	4.456	1.103	1.502	966.0	1.	27.64
B Fr.	1.621	2.693	4.822	383.7	16.12	3.991	5.434	3495.	3.618	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts and sterling firm

GILT PRICES rose sharply in the London International Financial Futures Exchange yesterday following a favourable opinion poll for the Conservative party. Market euphoria had started to build up in the last couple of days ahead of the election and the pressures on sterling and domestic interest rates tended to push prices firmer.

Sentiment in this sector of the market was dictated entirely by *the market's view of the outcome* of the election and at the moment there was a general feeling that the Conservative party would achieve an overall majority.

Sterling continued to show renewed strength as demand for equities and gilts enhanced its attraction.

Long term gilts opened at 126-25 for September delivery up from 126-07 and rose to a high of 127-22 before finishing at 127-14.

Three-month sterling deposits were higher at the start at 91.37, helped by a decline in cash rates. The price touched a high of 91.54 and finished at 91.53, up from 91.30 on Monday.

US Treasury bonds were higher despite a weaker dollar and signs that the Venice summit was not likely to provide any fresh dollar support package. The September price opened at 90-00 and edged up to 90-06 from Monday's close of 89-29.

Three-month Euro-dollar deposits were also marginally firmer in *comparatively quiet trading* and, after opening unchanged from Monday's close at 92-15, the September price traded in a narrow five-tick range before closing at 92-18.

Trading in the FT-SE contract saw the June price rise to 229.10 from an opening level of 226.50, up sharply from Monday's close at 224.90.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
118	9.61	10.34	0.33	1.18
120	8.12	9.02	0.48	1.50
122	6.40	7.41	1.12	2.25
124	5.07	6.24	1.43	3.08
126	3.53	5.17	2.25	4.01
128	2.54	4.18	3.26	5.02
130	2.00	3.28	4.36	6.12
132	1.25	2.34	5.61	7.18

Estimated volume total, Calls 4,322 Puts 4,062
Previous day's open int: Calls 20,669 Puts 9,991

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
80	10.19	9.38	0.07	0.22
82	8.27	7.55	0.15	0.39
84	6.43	6.18	0.31	1.02
86	5.06	4.56	0.58	1.40
88	3.46	3.43	1.34	2.27
90	2.27	2.43	2.15	3.27
92	1.30	1.57	3.18	4.41
94	0.55	1.19	4.43	6.03

Estimated volume total, Calls 310 Puts 0
Previous day's open int: Calls 523 Puts 512

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last July	Puts—Last June	Puts—Last July
21000	20.49	25.47	1.39	0.97
21250	18.43	23.29	1.83	1.29
21500	16.46	21.18	2.36	1.68
21750	14.61	19.15	3.01	2.15
22000	12.87	17.22	3.77	2.72
22250	11.25	15.39	4.65	3.39
22500	9.76	13.67	5.66	4.17
22750	8.40	12.07	6.80	5.07

Estimated volume total, Calls 36 Puts 47
Previous day's open int: Calls 448 Puts 609

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Jun.	July	Aug.	Sept.	Puts—Last Jun.	July	Aug	Sept.
1.45	20.75	—	—	20.75	0.00	—	—	0.05
1.50	15.75	15.75	15.75	15.75	0.00	0.02	0.08	0.21
1.55	10.75	10.75	10.75	10.85	0.00	0.17	0.39	0.70
1.60	5.75	6.32	6.60	6.97	0.00	0.81	1.29	1.82
1.65	1.30	3.02	3.49	3.99	0.62	2.51	3.18	3.84
1.70	0.03	1.11	1.54	2.01	4.35	5.60	6.23	6.86
1.75	0.00	0.30	0.56	0.89	9.322	9.790	10.25	10.74

Estimated volume total, Calls 50 Puts 30
Previous day's open int, Calls 1,408 Puts 2,444

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last June	July	Aug.	Sept.	Puts—Last June	July	Aug.	Sept.
1.45	12.90	—	—	12.70	0.80	—	—	1.50
1.50	15.40	14.60	14.50	15.40	0.25	0.25	0.40	0.50
1.55	12.10	9.60	9.50	12.30	0.20	0.55	0.85	0.85
1.60	5.70	5.10	5.85	6.20	0.40	1.40	2.20	2.85
1.65	1.75	3.10	3.20	4.60	1.40	3.10	4.30	5.10
1.70	0.40	1.05	1.65	1.90	6.00	6.60	7.50	8.35
1.75	0.40	0.65	0.85	1.15	10.95	11.25	11.75	12.30

Previous day's open int: Calls 1477 Puts 799
Volume: 800

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last June	July	Aug.	Sept.	Puts—Last June	July	Aug.	Sept.
1.600	5.10	5.30	6.00	6.40	0.10	0.65	1.65	2.00
1.625	3.10	3.90	4.40	4.80	0.25	1.20	2.50	2.80
1.650	1.30	2.50	3.20	3.90	0.80	2.40	3.50	4.20
1.675	0.40	1.65	2.30	—	2.15	3.55	4.65	—
1.700	0.05	0.90	1.65	2.05	4.55	5.35	6.35	6.85
1.725	—	0.00	1.10	—	6.95	7.45	8.05	8.65
1.750	—	0.25	0.60	0.95	9.450	9.65	10.15	10.65

Previous day's open int: Calls 113,236 Puts 101,820
Previous day's volume, Calls 107,18 Puts 16,663

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last June	Sept.	Dec.	Mar.	Puts—Last June	Sept.	Dec.	Mar.
92.00	0.77	0.44	0.41	—	0.00	0.26	0.59	—
92.25	0.52	0.30	0.30	—	0.00	0.37	0.73	—
92.50	0.27	0.19	0.22	—	0.00	0.51	0.90	—
92.75	0.07	0.11	0.15	—	0.05	0.68	1.08	—
93.00	0.00	0.06	0.09	—	0.23	0.88	1.27	—
93.25	0.00	0.03	0.06	—	0.48	1.10	1.49	—
93.50	0.00	0.01	0.03	—	0.73	1.33	1.71	—

Previous day's open int: Calls 1,839 Puts 2,140
Estimated volume, Calls 0 Puts 0

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
June	127-16	127-20	127-06	126-09
Sept.	127-14	127-22	126-24	126-07
Dec.	127-08	—	—	126-01

Estimated volume 28,503 (9,734)
Previous day's open int. 26,494 (26,588)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev.
June	—	—	—	—

Estimated Volume 0 (0)
Previous day's open int. 0 (0)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
June	91.34	91.35	91.20	91.19
Sept.	91.53	91.54	91.36	91.30
Dec.	91.30	91.30	91.16	91.08
Mar.	91.10	91.10	91.01	90.90
June	90.95	90.84	90.84	90.76
Sept.	90.80	—	—	90.66

Estimated Volume N/A (N/A)
Previous day's open int. N/A (22,662)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
June	229.10	229.60	226.50	224.90
Sept.	234.50	234.50	232.00	229.90

Estimated volume 1,749 (967)
Previous day's open int. 7,823 (7,810)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
June	92.77	92.77	92.74	92.77
Sept.	92.18	92.18	92.13	92.15
Dec.	91.82	91.82	91.77	91.79
March	91.60	91.59	91.56	91.58
June	91.42	91.41	91.41	91.39
Sept.	91.27	—	—	91.24
Dec.	91.13	—	—	91.10
Mar.	91.00	—	—	90.97

Estimated volume 5,715 (6,290)
Previous day's open int. 35,066 (33,895)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
June	91-10	91-10	91-00	90-31
Sept.	90-06	90-11	89-22	89-29
Dec.	89-08	—	—	88-31

Estimated Volume 5,244 (2,621)
Previous day's open int. 3,789 (3,764)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
June	91-06	91-14	90-26	91-17
Sept.	90-02	90-13	89-22	90-13
Dec.	89-05	89-08	88-24	89-15
Mar.	88-10	88-12	88-02	88-20
June	87-16	87-16	87-13	87-28
Sept.	—	—	—	87-06
Dec.	—	—	—	86-18
Mar.	—	—	—	86-01
June	—	—	—	—
Sept.	—	—	—	85-04
Dec.	—	—	—	85-24

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sept.	93.62	93.63	93.56	93.59
Dec.	93.17	93.19	93.16	93.20
Mar.	92.95	92.97	92.94	92.96
June	—	—	—	—
Sept.	92.63	92.64	92.63	92.64
Dec.	—	—	—	92.49
Mar.	—	—	—	92.36
June	92.77	92.77	92.77	92.79

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
June	0.6723	0.6728	0.6697	0.6662
Sep.	0.6778	0.6783	0.6752	0.6718
Dec.	0.6840	0.6840	0.6818	0.6779
Mar.	0.6910	0.6910	—	0.6850

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
June	0.7011	0.7027	0.7003	0.6964
Sept.	0.7076	0.7087	0.7064	0.7025
Dec.	0.7145	0.7150	0.7136	0.7091
Mar.	—	—	—	0.7160
Jun.	—	—	—	0.7250

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
June	0.5572	0.5576	0.5565	0.5544
Sept.	0.5621	0.5624	0.5615	0.5593
Dec.	—	0.5678	0.5670	0.5649
Mar.	0.5748	0.5748	0.5748	0.5705

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev.
June	92.76	92.77	92.74	92.79
Sept.	92.16	92.18	92.13	92.22
Dec.	91.81	91.83	91.77	91.87
Mar.	91.59	91.60	91.54	91.64
June	91.41	91.42	91.36	91.46
Sept.	91.26	91.26	91.22	91.31
Dec.	91.13	91.13	91.08	91.17
Mar.	91.01	91.01	90.94	91.05

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
June.	296.65	297.20	295.80	296.35
Sept.	298.50	299.00	297.70	298.15
Dec.	—	301.00	—	300.15
Mar.	302.80	302.90	300.30	302.45

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6615	1.6590	1.6559	1.6539	1.6505

IMM—STERLING $s per £

	Latest	High	Low	Prev
June	1.6555	1.6570	1.6485	1.6360
Sept.	1.6510	1.6515	1.6440	1.6305
Dec.	1.6475	1.6475	1.6450	1.6260
Mar.	1.6450	1.6455	1.6450	1.6250

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.6568	1.6530	1.6415	1.6388
Sept.	1.6515	1.6484	1.6366	1.6332
Dec.	1.6485	—	—	1.6298

Estimated volume 161 (216)
Previous day's open int 698 (706)

MONEY MARKETS

UK rates easier on firmer pound

INTEREST RATES were lower in the *London money market yesterday*, helped by a favourable opinion poll for the Conservative party which boosted the value of sterling. Three-month interbank money slipped to 8¾-8⅝ per cent from 8¹⁵⁄₁₆-8¹³⁄₁₆ per cent while one-year money eased to 8¹⁵⁄₁₆-8¹³⁄₁₆ per cent from 9⅛-9 per cent.

UK clearing bank base lending rate 9 per cent since May 8

Overnight money touched a high of 9¾ per cent but finished at around 2 per cent despite the apparent underhelp.

The Bank of England forecast a shortage of around £500m with factors affecting the market including the repayment of late assistance and bills maturing in official hands together with a take-up of Treasury bills draining £325m and Exchequer transactions $250m. In addition, banks brought forward balances £10m below target. These were partly offset by a fall in the note circulation of £65m.

The forecast was revised to a shortage of around £550m and the Bank gave assistance in the morning of £165m through outright purchases of £139m of eligible bank bills in band 1 at 8⅞ per cent and £26m in band 2 at 8⅞ per cent.

Further help was given in the *afternoon of £170m through outright* purchases of £41m of eligible bank bills in band 1 at 8⅞ per cent and in band 2 £5m of Treasury bills and £124m of eligible bak bills all at 8⅞ per cent. Late help came to £90m, making a total of £425m.

In Frankfurt the Bundesbank announced its intention to offer funds to the market through a sale and repurchase agreement over 28-days with a minimum bid rate of 3.5 per cent. Successful applicants will receive the funds today.

Call money was quoted at 3.45 per cent slightly up from Friday and reflecting a feeling in the market that the Bundesbank would keep the minimum accepted bid in its tender to 3.55 per cent. However liquidity levels remain comfortable after the last allocation at a tender of DM 11.2bn more than compensated for a maturing facility.

While the authorities may absorb some of the surplus liquidity by allocating less than the DM 9.5bn expiring, it will be difficult to steer a path since the international climate precludes a rise in rates and so sufficient liquidity must be left to face a heavy drain on short term funds expected later this month while at the same time the authorities will be keen to maintain a grip on the market

FT LONDON INTERBANK FIXING

(11.00 a.m. June 9) 3 months U.S. dollars		6 months U.S. dollars	
bid 7 1/16	offer 7 ⅛	bid 7½	offer 7⅝

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds	
Prime rate	8¼	One month	N/A
Broker loan rate	8	Two month	N/A
Fed. funds	6⅝	Three month	5.68
Fed funds at intervention	6¾	Six month	6.19
		One year	6.52
		Two year	7.70
		Three year	7.96
		Four year	8.10
		Five year	8.22
		Seven year	8.45
		10 year	8.56
		30 year	8.73

June 9	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.40-3.50	3.55-3.65	3.60-3.70	3.60-3.75	3.65-3.80	5.0
Paris	8-8⅛	[illegible]	[illegible]	[illegible]	[illegible]	7¾
Zurich	⅞-1⅛	[illegible]	—	[illegible]	[illegible]	—
Amsterdam	5 5/16-5 7/16	[illegible]	[illegible]	[illegible]	[illegible]	—
Tokyo	3.09375	3.65625	—	[illegible]	—	—
Milan	10½-11	[illegible]	—	[illegible]	—	—
Brussels	5.45	[illegible]	—	[illegible]	—	—
Dublin	11¼-11½	11¼-11½	[illegible]	11-11¼	10½-11	—

LONDON MONEY RATES

June 9	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	9¼-2	9⅛-9¼	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deposits	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Discount M'ket Deposits	9⅞-4	[illegible]	[illegible]	[illegible]	—	—
Company Deposits	9½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	—	—	[illegible]	[illegible]	—	—
Bank Bills (Buy)	—	—	[illegible]	[illegible]	—	—
Fine Trade Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	—
Dollar CDs	—	—	7.10-7.05	7.20-7.15	7.45-7.40	7.95-7.90
SDR Linked Deposits	—	—	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	—	—	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 8 [illegible] per cent; three months 8[illegible] per cent; Treasury Bills; Average tender rate of discount 8.3830 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 29, 1987. Agreed rates for period June 24 to July 25, 1987, Scheme I: 10.54 p.c. Schemes II & III: 10.12 p.c. Reference rate for period May 1 to May 29, 1987, Scheme IV: 8.873 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate [illegible] per cent from June 1, 1987: Bank Deposit Rates for sums at seven days' notice [illegible] per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8½ per cent; three-six months 8¼ per cent; six-nine months 8¼ per cent; nine-12 months 8⅛ per cent; *Under £100,000 8 per cent from June 4. Deposits withdrawn for cash 5 per cent.*

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JUNE 8 1987					FRIDAY JUNE 5 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	133.33	+0.0	120.61	123.97	3.09	133.34	121.20	124.03	140.95	99.92	90.69
Austria (16)	87.74	+0.0	79.36	82.51	2.27	87.70	79.72	82.51	101.62	85.94	84.29
Belgium (47)	116.60	+0.7	105.47	107.54	4.40	115.82	105.28	107.54	123.62	96.19	76.94
Canada (129)	126.61	+0.1	114.52	123.08	2.41	126.42	114.92	122.99	136.17	100.00	97.85
Denmark (39)	118.52	+0.5	107.21	109.45	2.51	117.93	107.20	109.47	124.10	98.18	99.17
France (122)	109.41	+0.5	98.97	103.57	2.65	108.87	98.96	103.57	121.82	98.39	78.89
West Germany (90)	91.21	+0.5	82.51	85.57	2.17	90.76	82.50	85.57	100.33	84.00	82.67
Hong Kong (45)	116.74	+0.1	105.60	117.00	2.88	116.66	106.04	116.92	116.74	96.89	69.74
Ireland (14)	127.62	−0.8	115.44	121.30	3.57	128.69	116.98	122.77	131.86	99.50	82.01
Italy (76)	100.21	+1.0	90.64	97.81	1.83	99.18	90.16	97.26	112.11	94.76	80.31
Japan (458)	155.82	+1.0	140.95	141.25	0.47	154.34	140.29	140.29	161.28	100.00	77.37
Malaysia (36)	171.62	−0.3	155.24	164.69	2.30	172.21	156.54	165.56	172.55	98.24	76.44
Mexico (14)	209.34	+2.0	189.36	294.23	0.75	205.25	186.57	288.02	209.34	99.72	43.46
Netherland (38)	116.49	+0.6	105.37	108.06	4.08	115.80	105.27	107.98	120.14	99.65	88.82
New Zealand (27)	95.54	+0.9	86.43	87.34	3.05	94.69	86.07	86.88	100.59	83.93	68.51
Norway (24)	140.00	+0.6	126.64	126.99	1.97	139.17	126.51	126.99	140.00	100.00	97.16
Singapore (27)	144.47	+0.0	130.68	140.58	1.73	144.43	131.29	140.55	144.47	99.29	71.42
South Africa (61)	158.92	+0.7	143.75	117.79	3.45	157.77	143.41	116.93	186.74	100.00	75.24
Spain (43)	112.72	−0.1	101.96	107.13	3.78	112.80	102.54	108.02	121.31	100.00	82.09
Sweden (33)	113.12	+0.5	102.32	105.33	2.18	112.59	102.35	105.34	124.68	90.85	89.23
Switzerland (51)	93.58	+0.2	84.65	87.05	1.97	93.42	84.92	87.05	104.06	92.53	81.77
United Kingdom (337)	145.54	+0.4	131.65	131.65	3.20	144.91	131.72	131.72	148.66	99.65	97.22
USA (596)	121.53	+1.1	109.94	121.53	2.97	120.26	109.32	120.26	124.06	100.00	100.37
Europe (930)	118.68	+0.5	107.36	109.86	2.89	118.11	107.36	109.86	121.61	99.78	88.03
Pacific Basin (687)	153.50	+0.9	138.85	139.65	0.62	152.12	138.28	138.77	158.30	100.00	77.57
Euro—Pacific (1617)	139.61	+0.8	126.29	127.77	1.39	138.56	125.95	127.24	143.22	100.00	81.70
North America (725)	121.80	+1.0	110.18	121.64	2.94	120.59	109.62	120.43	124.60	100.00	100.24
World Ex. US (1821)	139.40	+0.7	126.10	130.16	1.45	138.38	125.78	130.05	143.09	100.00	82.17
World Ex. UK (2080)	131.12	+0.9	118.61	124.90	1.86	129.95	118.13	124.00	133.33	100.00	88.56
World Ex. So. Af. (2356)	132.24	+0.9	119.62	125.55	1.98	131.11	119.18	124.75	133.85	100.00	89.38
World Ex. Japan (1959)	121.28	+0.8	109.71	117.65	2.93	120.33	109.38	116.93	121.81	100.00	95.00
The World Index (2417)	132.41	+0.9	119.77	125.52	2.00	131.29	119.34	124.72	134.11	100.00	89.29

Base values: Dec 31, 1986 = 100

Today's prices unavailable

EUROPEAN OPTIONS EXCHANGE

Series		Vol.	Last	Vol.	Last	Vol.	Last	Stock
		Aug 87		Nov 87		Feb 88		
GOLD C	$420	15	42.50	—	—	—	—	$453.50
GOLD C	$480	26	10.50	6	21	—	—	"
GOLD C	$500	28	5.40	10	15.80A	192	24.50	"
GOLD C	$520	—	—	10	10.90	—	—	"
GOLD P	$390	295	0.60	—	—	—	—	"
GOLD P	$480	50	32.50	50	33.50	—	—	"
		Jun 87		Sep 87		Dec 87		
SILVER C	$850	71	9	—	—	3	110	$778
SILVER C	$900	—	—	11	40	5	99	"
SILVER P	$800	—	—	—	—	10	100	"
£/FL C	Fl.330	26	4.70	7	6.30	—	—	Fl.335.14
£/FL C	Fl.335	3	1.70B	10	4.50	10	4.80	"
£/FL P	Fl.330	412	1.50	1	4.80	—	—	"
		Jun 87		Jul 87		Aug 87		
$/FI C	Fl.200	—	—	2	4.60	—	—	Fl.202.55
$/FI C	Fl.205	13	0.85	35	2.20	59	3	"
$/FI P	Fl.200	2	0.50	63	2.30	—	—	"
$/FI P	Fl.205	16	3.20B	230	4.60	2	6.40	"
$/FI P	Fl.210	10	7.20	—	—	—	—	"
		Sep 87		Dec 87		Mar 88		
$/FI C	Fl.195	—	—	5	10	10	9.80B	Fl.202.55
$/FI C	Fl.200	10	5.70	6	6.80	12	7.90	"
$/FI C	Fl.205	37	3.45	16	4.80	40	5.80	"
$/FI C	Fl.210	15	2	19	3.20	4	4	"
$/FI C	Fl.215	—	—	10	2.10	9	3	"
$/FI P	Fl.200	21	4.60	2	7.10	—	—	"
$/FI P	Fl.205	4	7	3	9.80A	—	—	"
$/FI P	Fl.210	10	10.20	2	13	—	—	"
		July 87		Oct 87		Jan 88		
ABN C	Fl.500	52	2.40	91	9.90	21	19	Fl467.50
AEGON C	Fl.85	10	4.20	30	6.70	—	—	Fl87.50
AEGON P	Fl.85	—	—	22	2.50	—	—	"
AHOLD C	Fl.95	—	—	60	4.50	—	—	Fl92.60
AHOLD C	Fl.95.50	40	1.80	—	—	—	—	"
AHOLD P	Fl.86.40	77	0.20	—	—	—	—	"
AKZO C	Fl.140	293	0.80	88	4	5	7	Fl.130
AKZO P	Fl.130	29	3.20B	118	5.20	20	6.80	"
AMEV C	Fl.65	4	0.80	31	1.80	62	3	Fl.59.40
AMRO C	FL.75	26	1	19	3	13	4.60	FL.72.60
AMRO P	Fl.80	192	7.50	—	—	—	—	"
ELSEVIER C	Fl.50	18	1.30A	173	3	12	5	Fl.49.10
GIST-BROC C	Fl.45	55	0.50	59	1.40	2	2.50	FL.40.30
GIST-BROC P	Fl.45	74	4.90	54	5	3	3.50	"
HEINEKEN C	FL.180	25	1.70	73	5.60	—	—	Fl.171.70
HEINEKEN P	Fl.170	76	3	14	5.50	—	—	"
HOOGOVENS C	FL.45	20	0.50	47	1.80	—	—	Fl.41
HOOGOVENS P	Fl.35	4	0.40	60	1.20	—	—	"
KLM C	Fl.50	247	1	551	2.40	56	3.70	FL.47.20
KLM P	Fl.45	117	0.80	117	2.60	22	3	"
NED. LLOYD C	Fl.150	4	0.80	70	2.40	20	5.20	Fl.131.50
NED. LLOYD P	FL.150	103	18.20	10	18.50	61	19	"
NAT. NED. C	Fl.75	93	0.50	11	1.40	—	—	FL.67.60
NAT. NED. P	Fl.70	143	3.20	101	5	18	5.20	"
PHILIPS C	Fl.50	410	0.70	166	2.50	32	3.40	Fl.47.60
PHILIPS P	Fl.50	325	2.70	69	3.80	72	4.50	"
ROYAL DUTCH C	FL.270	250	1.80	199	4.70	7	7.50	Fl.254.90
ROYAL DUTCH P	Fl.260	390	7.20	140	12.50	20	13	"
UNILEVER C	Fl.660	874	16	354	29.50	138	41	Fl.659.20
UNILEVER P	Fl.640	164	6	87	11.80	30	18	"

TOTAL VOLUME IN CONTRACTS: 21,655

A=Ask B=Bid C=Call P=Put

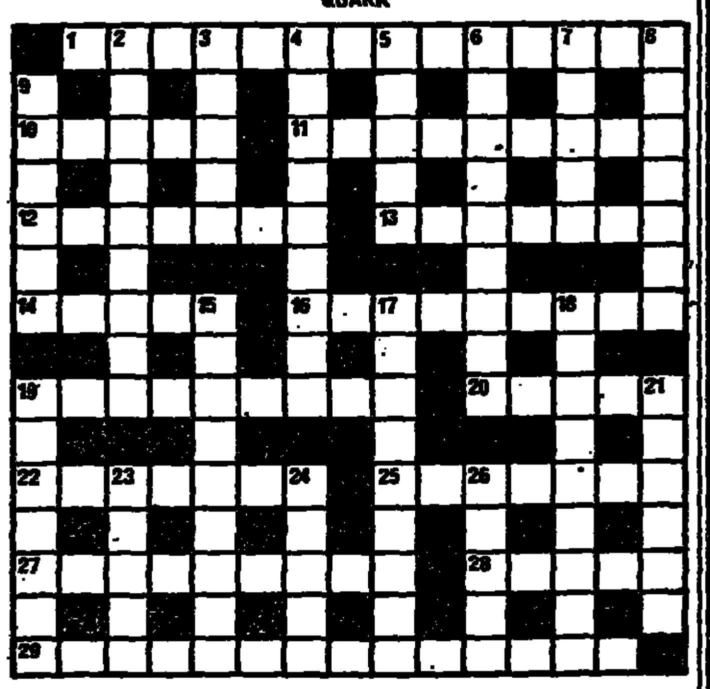
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	10
American Exp. Bk	9	Consolidated Cred	9	Provincial Trust Ltd	10
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	9½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	9	Equat'r'l Tst C'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Williamson Secs	9
Banco de Bilbao	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10	Trustee Savings Bak	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10	UDT Mortgage Exp	¶11.3
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	‡9	Westpac Bank. Corp	9
Bank of Scotland	9	● Guinness Mahon	9	Whiteaway Laidlaw	9½
Banque Belge Ltd	9	HFC Trust & Savings	9	Yorkshire Bank	9
Barclays Bank	9	● Hambros Bank	9		
Beneficial Tst Ltd	9	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
Cl. Bank Nederland	9	Midland Bank	9		
Canada Permanent	9	● Morgan Grenfell	9		
Cayzer Ltd	9	C Mut Credit Corp. Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Savewise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

FT CROSSWORD PUZZLE No. 6,348

QUARK



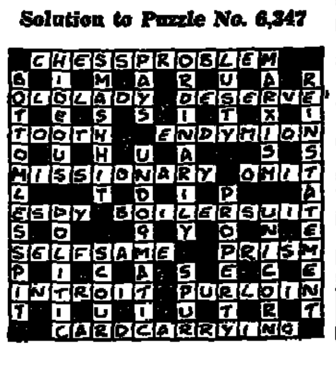
ACROSS

1 He's dependent on his betters (4, 10)
10 20 scattered and put under the ground (5)
11 Thing that's shaky to come down in the evening? (9)
12 A politician in the Church or contributor to medicine? (7)
13 The plot might form into clots (7)
14 Mediocre horse heading off after a bit (5)
16 Tree in slums replanted for uneven property (9)
19 Barrier t-test that's not affected by moisture (4-5)
20 Chemical could be 10 (5)
22 Subs changing course go over place for boarding (3-4)
25 Hot-headed? Could precede heat (7)
27 Film reviewer is at film's ending showing disapproval? (9)
28 Superior edge in drill (5)
29 For boxing? Intended to receive it (10, 4)

DOWN

2 Condition to be met in the last term (9)
3 Bridge from a country? (5)
4 Singer moving to Carlton (9)
5 An illiterate's nothing (5)
6 Fruit, produce of Rio (with tin), is food (9)
7 It denotes regret for a deficiency (5)
8 Stories about part of Bible, referred to in parable (7)
9 Calif's out-of-the-ordinary in relation to money (6)
15 Record decaying round the edges transferring to bigger container? (9)
17 His wares went like hot cakes (6-3)
18 Additional phone—in short, number 16, perhaps (9)
19 Ice melting suddenly in a flower? (7)
21 Team's coffee-time? (6)
23 Large swallow goes round the north for curving movement (5)
24 A bender—so teacher gets up in the afternoon! (5)
26 Some beast! A piranha? No! (5)

Solution to Puzzle No. 6,347



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

هكذا منه بالأصل

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2060

American Growth	106.1	112.2xd	+0.6	1.64
(Accum Units)	111.2	117.6xd	+0.7	1.64
British Blue Chip Fund	51.1	54.0	+1.0	2.31
(Accum Units)	51.1	54.0	+1.0	2.31
American Sm Cos Fd	49.6	52.4	+0.3	0.47
(Accum Units)	49.6	52.4	+0.3	0.47
American Income	50.2	53.1	+0.3	4.30
(Accum Units)	54.8	57.9	+0.3	4.30
European Growth	135.2	143.0	-0.2	0.61
(Accum Units)	139.9	148.0	-0.2	0.61
European Income	78.9	83.4	+0.0	3.57
(Accum Units)	81.0	85.7	+0.0	3.57
General	358.9	376.6	+5.8	1.96
(Accum Units)	591.1	625.4	+9.5	1.96
Gilt	90.9	91.3xd	+0.5	7.00
(Accum Units)	108.2	108.7xd	+0.6	7.00
Global Fund	49.0	51.8	+0.01	0.70
(Accum Units)	49.0	51.8	+0.01	0.70
High Interest Fund	48.2	51.0	+0.3	8.82
(Accum Units)	48.2	51.0	+0.3	8.82
High Income Fund	50.6	53.5	+0.6	4.92
(Accum Units)	51.1	54.1	+0.5	4.92
Income	114.3	120.9xd	+0.7	3.42
(Accum Units)	131.1	138.7xd	+0.8	3.42
International	296.4	313.6	-0.6	1.10
(Accum Units)	369.0	390.4	-0.8	1.10
Japan	232.8	246.3	-1.6	0.52
(Accum Units)	238.9	252.8	-1.7	0.52
Pacific Fd	52.1	55.1	-0.7	0.10
(Accum Units)	52.1	55.1	-0.7	0.10
Recovery	288.9	305.7xd	+2.5	1.96
(Accum Units)	314.2	332.4xd	+2.7	1.96
UK Smaller Co's Fd	49.7	52.5	+0.1	1.91
(Accum Units)	49.7	52.5	+0.1	1.91
Exempt May 27	345.7	354.5	+1.1	2.32
(Accum Units)	541.6	555.3	+1.7	2.32

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010345

Holborn Comm Tst	73.3	77.5	+0.5	0.40
Holborn Equity Income	66.4	70.2xd	+0.9	3.67
Holborn Equity Tst	559.1	591.6	+9.4	2.20
Holborn European Tst	110.7	117.1xd	-0.5	0.71
Holborn Gilt Tst	216.0	225.0	+1.7	2.12
Holborn High Inc Tst	82.1	86.8xd	+0.7	4.97
Holborn Intl Gth Tst	116.2	122.9	+0.5	0.71
Holborn Japanese Tst	134.8	142.6	-1.3	0.04
Holborn N. Amer. Tst	87.7	92.8xd	+0.8	0.52
Holborn Sm Cos Tst	71.8	75.9xd	+0.2	1.53
Holborn Spec Sits Tst	95.6	101.1	+1.4	1.44
Holborn UK Growth Tst	113.7	120.3	+3.0	1.56

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	625.1	661.5	....	1.66
Quadrant Income	321.4	340.2	....	4.22
Quadrant Intl. Fund	428.5	453.5xd	....	1.11
Quadrant Spec. Sits	404.9	428.5	....	1.53

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Pension Fund Prices

Managed Init.	371.1			
Do Accum	391.5		—	—
Property Init	240.7		—	—
Do Accum	293.3		...	
Equity Init.	411.6		—	—
Do Accum.	500.8		—	—
Gilt-Edged Init.	239.0		—	
Do Accum	291.2		—	—
Guaranteed Init.	157.1		—	—
Do. Accum.	191.5		—	—
International Init.	508.7		—	—
Do. Accum.	619.5		—	—
Index Lk Gilt Init.	139.9		—	—
Do. Accum.	170.4		—	—

Merchant Investors Assurance

Leon House, 233 High St, Croydon 01-686 9171

Property	298.5		+0.1	—
Property Pens.	392.3		+0.1	—
Equity	184.2		-.2	—
Equity Pens.	832.8		-2.5	—
Money Market	317.7		+0.5	—
Money Mkt. Pens.	566.7		+1.1	—
Deposit	233.3		+0.1	—
Deposit Pens.	373.2		+0.2	—
Managed	279.9		+0.0	—
Managed Pens.	534.3		-.7	—
Intl. Equity	332.8		+0.5	—
Do. Pens.	530.5		+1.0	—
Intl. Managed	304.6		+0.2	—
Do. Pens.	447.1		+0.3	—
North American	126.0		+0.5	—
Do. Pens.	143.1		+0.8	—
Far East	298.0		+2.8	—
Do. Pens.	431.8		+3.4	—
Inapl. Currency	175.5		+0.0	—
Do. Pens.	230.1		+0.0	—
Index Linked	132.2		+0.0	—
S & C Managed Fd	139.1		-.1	—
S & C Pens Mngd Fd	112.6		-.2	—
Trustlink Life Funds				
Per Worldwide Rec.	157.2		+0.2	—
Per Far East Growth	186.8		+0.9	—
Per Intl Growth	150.1		+0.1	—
Per Income	164.0		-0.1	—
Per Emerging Co's	158.2		+0.8	—
Per American Growth	140.6		-.3	—
Per European Growth	120.3		+0.0	—
Fra American & Gen	117.9		+0.0	—
Fra Capital	165.8		+0.3	—
Fra Income	172.2		+0.0	—
Fra Intl Growth	130.4		+0.3	—
Fra Japan & Gen	178.2		+0.4	—

Norwich Union Asset Management Ltd

PO Box 124, Norwich NR1 1JS 0603 683986

NUAM Funds				
Managed Fund	56.3	59.3	+0.3	—
Stock Market Mngd Fund	57.4	60.5	+0.4	—
Equity Fund	62.9	66.3	+0.4	—
International Fund	52.7	55.5	...	—
European Fund	54.0	56.9	-0.4	—
North American Fund	47.9	50.5	+0.2	—
Pacific Fund	65.8	69.3	+0.2	—
Property Fund	50.5	53.2	...	—
Fixed Interest Funds	51.9	54.9	+0.5	—
Index linked Sec Fund	47.4	49.7	+0.2	—
Deposit Fund	50.5	53.2	—	—
NUAM Retirement Plans				
Mixed Fund	59.1	62.3	-0.1	—
UK Ordinary Share	69.5	73.2	-0.3	—
International Fund	54.3	57.2	+0.2	—
Property Fund	51.4	54.2	...	—
Fixed Interest Fund	53.0	55.8	+0.1	—
Index Linked Sec Fund	47.0	49.5	—	—
Deposit Fund	52.2	55.0	—	—
NUAM (NF)				
Managed Fund	768.5	809.0	+5.1	—
Equity Fund	1669.6	1757.5	+20.5	—
Property Fund	313.9	330.5	...	—
Fixed Interest Fund	382.3	402.5	+1.7	—
Deposit Fund	206.40	216.9	-0.1	—
International Fund	136.6	143.8	-0.2	—
Index Linked Sec Fund	47.4	49.9	+0.2	—

Norwich Union Life Insurance Soc.

PO Box 4, Norwich NR1 3NG 0603 622200

Pensionmaster & Unit-Linked Plan**				
Fixed Interest Fund	265.6	279.5	...	—
Index-Linked Sec Fund	133.2	140.2	...	—
Ordinary Share Fund	507.1	533.7	...	—
International Fund	136.6	143.7	...	—
Property Fund	160.2	168.6	...	—
Deposit Fund	163.4	172.0	...	—
Mixed Fund	328.7	346.0	...	—
Norwich Units March 16		897.8	...	—

*Prices as at June 2.

Pearl Assurance (Unit Funds) Ltd

252 High Holborn, London WC1V 7EB 01-405 8441

Prop. Dist. (Gross)(z)	141.6	149.1	+0.2	—
Prop. Acc. (Gross) (z)	221.9	233.6	+0.4	—
Equity (Gross) (z)	727.0	765.3	+1.0	—
Managed (Gross) (z)	494.5	520.6	+0.5	—
Prop. Acc. (Net) (z)	102.3	107.7	+0.2	—
Equity (Net) (z)	155.7	163.9	+0.2	—
Managed (Net) (z)	142.8	150.4	+0.1	—
Internat'nal (Net) (z)	136.2	143.4	+0.2	—

Provincial Life Assurance Co Ltd

Stramongate, Kendal

Prudential Assurance Co

Holborn Bars, London

Prudential Pensions Limited

Holborn Bars, London

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100[illegible]	99[illegible]	Treas. 10pc 1987	100[illegible]	.....	9.99	8.88
99[illegible]	97[illegible]	Treas 3pc 1987	99[illegible]		3.01	7.07
101[illegible]	100[illegible]	Treas 12pc 1987	101[illegible]	+[illegible]	11.84	8.30
99[illegible]	97[illegible]	Treas 7¼pc 1985-88‡‡	99[illegible]	+[illegible]	7.78	8.45
102[illegible]	99[illegible]	Exch 10½pc '88	101[illegible]	+[illegible]	10.32	8.46
101[illegible]	98[illegible]	Treas 9¾pc Cv '88	101[illegible]	+[illegible]	9.64	8.48
95[illegible]	93[illegible]	Transport 3pc '78-88	96[illegible]	+[illegible]	3.10	6.38
101[illegible]	98[illegible]	Treas. 9½pc '88	101[illegible]	+[illegible]	9.40	8.60
105[illegible]	101[illegible]	Treas 11½pc 1989	104[illegible]	+[illegible]	11.02	8.63
102[illegible]	97[illegible]	Treas 9½pc Cnv 1989	101[illegible]	+[illegible]	9.37	8.64
94[illegible]	89[illegible]	Treas 3pc 1989	94[illegible]	+[illegible]	3.18	6.13
104[illegible]	99[illegible]	Treas 10½pc 1989	103[illegible]	+[illegible]	10.15	8.59
103[illegible]	98[illegible]	Exch 10pc 1989	102[illegible]	+[illegible]	9.75	8.66
105[illegible]	100[illegible]	Exch 11pc 1989	104[illegible]	+[illegible]	10.50	8.65
95[illegible]	89[illegible]	Treas 5pc 1986-89	95[illegible]	+[illegible]	5.25	7.21
108[illegible]	100[illegible]	Exch 10¼pcCv '89	107[illegible]	+[illegible]	9.51	6.70
111[illegible]	105[illegible]	Treas 13pc 1990‡‡	110[illegible]	+[illegible]	11.84	8.70
106[illegible]	100[illegible]	Exch 11pc 1990‡‡	105[illegible]	+[illegible]	10.46	8.76
110[illegible]	104[illegible]	Exch. 12½pc 1990	109[illegible]	+[illegible]	11.47	8.77
91[illegible]	84[illegible]	Treas. 3pc 1990	91[illegible]	+[illegible]	3.29	6.40
100[illegible]	93[illegible]	Treas 8¼pc 1987-90‡‡	99[illegible]	+[illegible]	8.26	8.31
105	97[illegible]	Treas. 10pcCv 1990	103[illegible]	+[illegible]	9.66	8.77
89[illegible]	81[illegible]	Exch 2½pc 1990	88[illegible]	+[illegible]	2.83	6.16
110[illegible]	103[illegible]	Treas 11¾pc 1991	109[illegible]	+[illegible]	10.79	8.80

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
30¾	22¾	Sara Lee $1	26¼xd	–⅛	$1.00	—	2.3
11⅝	8⅞	Saul (B. F.) $1	9½	.....	20c	—	1.3
26⅞	19⅞	Southwestern Bell $1	23	+¼	$2.32	—	6.2
17⅞	14⅛	Staley Continental	15⅝	–⅛	80c	—	3.1
44½	36¼	Sun Co. Inc. $1	40⅞xd	+⅛	$3.00	—	4.6
37	28½	TRW Inc. $1¼	32⅞xd	–⅜	$1.60	—	3.0
31	25⅞	Tenneco $5	29¾	+⅛	$3.04	—	6.4
187½	149½	Do. 10pc Ln.Stk. 91-5	182½xd	.....	10%	—	5.6
26¾	17⅝	Texaco $6.25	23xd	–⅛	$3.00	—	8.0
98⅞	47⅛	Time Inc. $1	57⅝	.....	$1.00	—	1.1
14½	11	Tracor $0.33	13	+⅛	40c	—	1.9
24⅞	18⅞	Transamerica $1	20⅝xd	.....	$1.76	—	5.3
12¼	922p	Transworld Corp $5	11½	.....	20c	—	1.1
42¼	29¼	TRINOVA Corp.	40⅞	.....	$1.00	—	1.5
19⅝	15⅛	USX $1	19⅜	+⅛	$1.20	—	3.8
18⅞	15⅜	Union Carbide $1	17⅞	+⅛	$1.50	—	5.1
35⅝	26⅞	Utd. Technologies	28⅞	+⅛	$1.40	—	3.0
38⅞	27	US West	30⅞	+⅛	$3.28	—	6.5
25	17⅛	Waste Management $1	24⅛	–½	—	—	—
£22¼	£20½	Whirlpool $1.0	£22	–⅛	—	—	—
33⅝	26	Woolworth $3½	31⅝	+⅛	$1.32	—	2.6

CANADIANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
20½p	10p	Abbot Energy Corp.	20½p	.....	—	—	—
25⅛	10⅛	Amer. Barrick Res.	22⅛	–⅛	—	—	—
122p	52p	Ameeco	100p	.....	—	—	—
19⅜	14⅝	Bk. Montreal	15⅝	.....	$2.00	—	6.0
10½	745p	Bk. Nova Scot.	819p	+2	72c	—	4.0
20⅝	18	BCE	19½	.....	$2.40	—	5.7

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								
15½	9	Ardmore Pet. 'A'	14½	.....	—	—	—	—
77	45	Catalyst Comms. 5p	70	-2	—	—	—	—
98	47	Corton Beach 10p	89xd	+2	0.4	ϕ	0.6	ϕ
200	150	Crown Eyeglass 5p	200	+7	—	—	—	—
225	102	Edenspring Investment	225	.....	—	—	—	—
*62	18	Eglinton Oil Ir.5p	31	-2	—	—	—	—
41	17	Do. Warrants	20	-1	—	—	—	—
53	17	Publishing Hldgs.5p	51	.....	—	—	—	29.5
58	45½	Theme Holdings	48	+2	1.0	ϕ	2.9	ϕ
140	111	Unit Group	140ϕ	.....	R4.6	2.5	4.5	10.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ▌ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or -	Stock	Price	+ or -
Albany Inv 20p	81	+3	Fin. 13% 97/02	£111½	.....
Craig & Rose £1	£164¼	.....	Arnotts	335	.....
Finlay Pkg. 5p	85	+1	CPI Hldgs	57	-2
Holt (Jos) 25p	952	+2	Carrol Inds.	140	.....
IoM Stm. £1	118	.....	Dublin Gas	18	.....
			Hall (R. & H.)	104	.....
IRISH			Heiton Hldgs.	38	.....
Fund 11¼% 1988	£100¼	.....	Irish Ropes	160	.....
Nat. 9¾% 84/89	£98½	.....	Unidare	345	-40

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	35	NEI	8
Amstrad	16	Nat West Bk	55
BAT	47	P & O Dfd	55
BOC Grp.	42	Plessey	20
BSR	12	Polly Peck	20
BTR	30	Racal Elect	20
Babcock	19	RHM	30
Barclays	47	Rank Org Ord	55
Beecham	48	Reed Intnl	42
Blue Circle	62	STC	20
Boots	25	Sears	12
Bowaters	37	TI	55
Brit Aerospace	58	TSB	8
Brit. Telecom	20	Tesco	42
Burton Ord	23	Thorn EMI	58
Cadburys	22	Trust Houses	20
Charter Cons.	30	Turner Newall	24
Comm Union	29	Unilever	150
Courtaulds	35	Vickers	55
FNFC	20	Wellcome	50
Gen Accident	80	**Property**	
GEC	18	Brit Land	17
Glaxo	110	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	100	Peachey	30
Guardian	85	**Oils**	
GKN	30	BOM	3½
Hanson Tst.	15	Brit Petroleum	60
Hawker Sidd	50	Burmah Oil	38
ICI	80	Charterhall	4
Jaguar	52	Premier	4
Ladbroke	40	Shell	75
Legal & Gen	25	Tricentrol	11
Lex Service	35	Ultramar	17
Lloyds Bank	48	**Mines**	
Lucas Inds.	55	Cons Gold	65
Marks & Spencer	18	Lonrho	24
Midland Bk	55	Rio T Zinc	65
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jun 1	Jun 11	Jun 12	Jun 22
Jun 15	Jun 25	Jun 26	July 6
Jun 29	July 9	July 10	July 20

* New time dealings may take place from 9.00 am two business days earlier.

Government bonds strong and equities at peaks on latest opinion poll reports

The UK stock market moved up strongly to new peaks yesterday as a strong pound and bond market also responded to indications in the latest Marplan opinion poll that the Government is maintaining its lead over the opposition parties ahead of Polling Day, now only 24 hours away.

Equity turnover increased, albeit by a modest amount in terms of reported SEAQ bargains. Institutional demand was somewhat selective, with the foreign funds restricting their interest to the long-favoured multinational issues.

While it was the UK opinion poll factors that provided most of the impetus, London also benefitted from the overnight strength of the New York market.

The FT-SE 100 index soared by 41 points at best, before closing off the top at 2,265.2, a new all-time high and a net gain on the day of 36.8 points. Also at a new peak was the FT Ordinary, with a 34.1 rise to 1,761.3.

Among the election-influenced stocks, there was a sharp rise in **British Gas** as the second share payment fell due, and in **British Telecom** and **British Airways**. A dull exception, however, was **Saatchi & Saatchi** after press comment suggested Conservative Party dissatisfaction with the agency's handling of the election campaign.

Among the international stars, the outstanding feature was **Glaxo**, which soared afresh ahead of today's listing on New York's Big Board. Glaxo is well-known to be favoured by Japanese funds, but foreign interest was moderate yesterday.

Also strong again was **Fisons**, on the back of last week's circular from Nomura Securities. **Beecham**, with trading figures due this week, **BAT Industries**, **Bass**, **Unilever** and **Grand Metropolitan**, all moved up on good institutional interest.

However, the return of the pound to the pschycholgically significant $1.65 market discouraged some export stocks, notably **Imperial Chemical Industries** and **Jaguar**.

Government bonds had a very good day, with the buying strength enabling the authorities to activate the 2002-06 tap stock on two occasions at successive prices of £30⅛ and £30¼ — and leaving the market convinced that the stock will next be sold at £30⅜.

Long-dated bonds closed just over a point higher, bringing yields down to 8.7 per cent. Both foreign and domestic funds bought UK gilts yesterday.

Beecham, the pharmaceutical giant, attracted revived support and the 555p, more than recovered Monday's decline of 7; the preliminary figures are scheduled for tomorrow with leading brokers anticipating taxable profits in the £340m-£350m range.

Securities house Morgan Grenfell issued a "buy" recommendation, stating that the sales potential of the group's Eminase anti-heart attack drug is currently "underestimated," and reckon that the product would achieve worldwide sales of $385m by 1992.

The clearing banks staged a strong advance and shrugged off the recent effects of the downside pressure on share prices of the third world debt worries. News that BankAmerica had moved to make a $1.1bn provision against debts and taken a $1bn loss in its second quarter failed to disturb the big four where **NatWest** advanced 14 to 682p, **Lloyds** 8 to 540p and **Barclays** 6 to 543p. **Midland** were the only laggard, the shares backtracking from the 608p attained early on to end the day little changed at 605p. **TSB** were said to have attracted renewed buying interest from the US and edged up 2 to 93½p.

Merchant banks were highlighted by **J. Rothschild Holdings** which spurted 9 to 194p following aggressive buying by a leading market maker. **Kleinwort Benson** rose 6 to 486p.

Insurance broker **Bradstock Group** jumped 18 to 302p following the 45 per cent profits leap. Bid talk kept **Hogg Robinson**, up 10 513p, on the boil, but a switch left **Sedgwick** 5 off at 290p and **Willis Faber** 8 higher at 458p.

Breweries gained ground across a broad front. **Allied-Lyons** led the way, rising 15 to 439p as the market digested a plethora of analysts' notes emanating from last week's Hiram Walker excursion. **Bass** closed 18 to the good at 992p, while **Whitbread A** put on 9 at 353p. **Guinness** advanced 15 to 379p, helped by reports that the group is set to purchase Schenley, the American distributor of Guinness's Dewar and Gordon's brands. Regionals were again in demand with **Wolverhampton and Dudley** 10 up at 372p. **Buckleys** advanced 4 more to 146p — a two-day gain of 15p — following confirmation tht Bestwood has disposed of its 27.57 per cent stake.

Leading Buildings, having marked time on Monday, moved ahead strongly as buyers made their presence felt. **Blue Circle**, boosted by a broker's lunch and option activity, forged ahead to close 33 higher at 510p. **Redland** attracted institutional support following a broker's recommendation and rose 18 to 540p, while **RMC** traded actively and closed 23 higher at 998p. **BPB Industries** were in demand ahead of the preliminary figures due towards the end of the month and finished 27 higher at 845p. **Tarmac** firmed 6 to 581p despite the absence of any concrete news from the annual meeting, while **Costain** responded to the chairman's confident statement a the AGM and rose 13 to 569p. **Taylor Woodrow** put on 15 to 422p in belated response to a broker's visit to the company. **Rowlinson** gained 7 to 95p following good figures.

ICI were held in check by currency influences and settled a shade off at £14⅜. Elsewhere in the Chemical sector, **Allied Colloids** rose 10 afresh to 290p awaiting today's annual results, but **British Benzol** shed 4 to 125p reflecting profit-taking in the wake of the good preliminary figures and confident statement.

All the leading retailers drew substantial strength from the recently announced 3.6 per cent rise in retail sales during April, but **W. H. Smith** were outstanding and moved up 15 to 371p ahead of the meeting today between the company and analysts. **Boots** rose 8 to 296p, and **Marks and Spencer** 11 to 265p. **Burton** were 15 up at 340p. **N. Brown** were 25 up at 630p following preliminary results at the top end of market expectations. **Ratners** leapt 25 to 385p.

Poll-sensitive **British Telecom** moved from strength to strength following the 13 per cent lead given to the Tories over the Labour Party; heavy domestic buying of Telecom spurred the shares on to an eventual closing level of 335¼p, a net gain of 7½. Late selling left **Amstrad** 14½ lower at 188p.

Other leading electricals showed similar strength with rises in the region of 3 or 4 common to **GEC**, 238p, **Plessey**, 208p and **Racal**, 256p. **Thorn EMI** advanced 24 to 741p in the wake of the sale for £42m of its white goods division to Sweden's Electrolux.

MK Electric gained 10 to a 1987 high of 482p ahead of the preliminary results expected on June 24. **Sunleigh** picked up 3½ to 42p, reflecting the failure of the bid for Dale, while **Mellerware**, which were requoted on Monday following the refinancing deal, dipped 11 to 99p.

A general and spirited advance by the engineering leaders following the latest election indications showed double figure rises common to **GKN**, 9 up at 344p, **Vickers**, 10 higher at 200p and **TI** which spurted 11 to 369p. **Hawker Siddeley** rose 6 to 524p.

Westland were well supported and moved up 5 to 140p ahead of Thursday's interim results.

Market suggestions that the Japanese could turn buyers of the stock if the Election outcome favours the Conservatives prompted speculative demand for **Tesco** which moved up 16 to 568p. Recently-overlooked **Argyll Group** rose 16 to 473p, while **J. Sainsbury**, moving with the general trend, firmed 11 to 545p. Outside the Food Retailing sector, **Unigate** softened 3 to 412p as the preliminary profits were deemed slightly disappointing, however, market makers pointed out that the shares are strongly underpinned by yield considerations; the price will be quoted ex dividend as from next Monday.

Hotels were featured by **Grand Metropolitan**, finally 20 higher at 572p following a strong revival of institutional buying.

Confirmation that the New York Stock Exchange had approved the group's ADR application prompted fresh international support of **Glaxo**, finally ⅜ up at £17½, while **Fisons** met fresh demand on a re-rating to settle another 9 to the good at 381p. On the results front, **Metal Box** reverted to unchanged at 268p after 276p, reflecting analyst's caution despite preliminary profits towards the top-end of expectations. **Pilkington**, full-year figures expected today, advanced 20 to 900p, with most estimates concentrated around the £250m level forecast by the company at the time of its defence to the bid from BTR. **Siebe**, the Windsor-based engineering and safety products group, dipped to £11½, as the market discounted the almost-doubled preliminary profits.

A welter of favourable comment in the wake of the annual figures lifted **NMC** 7 to 216p, while **DSC** again responded to Press-inspired speculative demand to close another 30 to the good at 360p.

"Shell operation" hopes in the wake of the agreed offer of 125p per share from Clitholme and parties acting in concert including the Local London Group, prompted a sharp gain in **Marina Developments** which soared 53 to 183p. **Brent Walker** rose 12 to 298p in sympathy. Elsewhere in the Leisure sector, **Owners Abroad** firmed 3 to 133p on news that International Leisure Group had increased its stake to 10.92 per cent: ILG has stated that it holds the shares as a trade investment.

Lucas Industries attracted support on news of the company's disposal plans and settled 16 higher at 655p. **Lex Service** firmed 4 afresh to 442p reflecting the current strength of US semi-conductor stocks, but **Western Motor** closed 2 cheaper at 343p following details of a £7m rights issue launched to partly finance the acquisition of privately-owned retail motor traders Penta.

Press comment suggesting that City rents are set to fall as demand slackens prompted initial hesitancy among the Property leaders. Subsequently, however, buyers moved in with some force and prices sported useful rises by the close. Elsewhere, **Helical Bar** attracted renewed demand and rose 12 to 242p, while **York Mount** put on 7 to 73p after further consideration of the results.

Proceedings among Textiles were featured by **Atkins Brothers (Hosiery)** which dipped 18 to 292p reflecting disappointment with the marginal growth in preliminary profits.

Investment trusts had a quiet session. The main feature was the return to dealings in **Cambrian & General Securities**, after the share suspension last November in the wake of the insider trading charges against Ivan Boesky, the New York arbitrageur who then controlled Cambrian.

Shares in Cambrian returned to open at 125p-130p, and ran into selling—"steady but not massive" to quote the leading marketmaker. The shares closed at 110p-115p, at which level at least one significant buyer was showing his hand. Just ahead of the re-quotation, the Cambrian board announced updated asset values of 160.1p a share.

Business among energy stocks expended dramatically. **BP**, with some 12m shares traded, closed a shade dearer at 358p, while **British Gas**, boosted by the opinion polls giving the Tories a commanding lead, gained 10 to 195p with 48m shares changing hands. **Enterprise Oil** were in demand amid vague acquisition rumours and closed 6½ up at 261p, while **Britoil**, the subject of US buying, firmed 7½ to 285p. **Premier Consolidated** added 3½ to 59p reflecting the better-than-expected annual results and proposed one-for-10 scrip issue.

Gold mining shares were largely overlooked in London yesterday as the pre-election boom in equities attracted investors' attentions. Traders said that Cape and Continental institutions were "buyers for choice."

Total contracts transacted in trader options amounted to 85,292 — made up of 60,801 calls and 24,491 puts — the highest for over a month. The upturn in demand for London equities filtered through to encompass most of the traded option list, but "election" issues still held the limelight. **British Gas** attracted 7,870 calls and 3,522 puts, while a rather more evenly-balanced business saw **British Telecom** record 6,502 calls and 5,147 puts. Dealers also reported substantial activity in **Barclays Bank**, **Sears**, and **Guinness**.

Traditional Options

- First dealings June 8
- Last dealings June 19
- Last declaration Sept 10
- For Settlement Sept 21

For rate indications see end of Unit Trust Service

Included among calls were **Norfolk Capital, Kalon, Stormgard, Raglan Property, Humberside, Ryan International, Control Securities, Premier Consolidated, British Dredging, British Gas, Glaxo, Rolls-Royce, Amber Day, Armour Trust, Property Trust, BT, British Airways, Paul Michael Leisure, A. Russel, Glentree, GEC, Hawley, Alexander Holdings, Kenmare, Bula Resources, Amstrad, Atlantic Resources, BSR, IBC, Stanley Miller, United Guarantee, Rotaprint, BET, J. Brown, Headlam Sims, MY Dart, Palma, Aurora, Hillsdown, NMC, F. J. C. Lilley, Airsprung, Astra Holdings, Abaco, Marina Developments, Guinness Peat, Mountleigh, Chessminster, Polly Peck, J. H. Fenner, Falcon Industries, Campari, Hawtin, Aran Energy, ICI, Central and Sherwood, Edmond Holdings, Hanson Trust, Plessey, Boots, Cadbury Schweppes, Renishaw, Marshall Loxley, Mercury Securities, Ayrshire Metals, Bejam, Blacks Leisure and Stoddard A.**

Puts: **Pearson, Benlox.**

No doubles were reported.

FINANCIAL TIMES STOCK INDICES

	June 9	June 8	June 5	June 4	June 3	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	92.75	92.13	92.15	91.81	92.26	91.41	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.31	97.95	98.01	98.24	98.21	97.12	98.54 (13/5)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,761.3	1,727.2	1,729.9	1,724.6	1,739.6	1,314.4	1,761.3 (9/6)	1,320.2 (2/1)	1,761.3 (9/6/87)	49.4 (26/6/40)
Gold Mines	388.7	395.5	398.3	389.0	389.7	208.0	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.23	3.29	3.29	3.30	3.28	4.18				
Earnings Yld.%(full)	7.79	7.92	7.92	7.95	7.91	10.10				
P/E Ratio (net) (*)	15.83	15.56	15.57	15.52	15.59	12.05				
SEAQ Bargains (5 pm)	50,389	50,082	39,721	44,836	41,645	—				
Equity Turnover (£m)	—	1021.06	1157.06	1379.01	1440.92	466.28				
Equity Bargains	—	55,091	47,029	52,378	32,755	23,629				
Shares Traded (ml)	—	—	502.1	448.9	618.7	226.8				

S.E. ACTIVITY

Indices	June 8	June 5
Gilt Edged Bargains	114.7	120.5
Equity Bargains	357.0	304.7
Equity Value	2063.8	2358.7
5-Day Average		
Gilt Edged Bargains	132.2	133.1
Equity Bargains	319.5	321.2
Equity Value	2731.0	3092.1

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1741.0	1753.9	1758.8	1765.9	1762.3	1766.1	1764.0	1761.6

Day's High 1766.5. Day's Low 1740.7. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil=15.52.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (233)

CANADIANS (1), BANKS (3), BREWERS (5), BUILDINGS (16), CHEMICALS (4), STORES (15), ELECTRICALS (12), ENGINEERING (13), FOODS (10), HOTELS (2), INDUSTRIALS (31), INSURANCE (5), LEISURE (2), MOTORS (7), NEWSPAPERS (6), PAPER (12), PROPERTY (6), SHIPPING (1), TEXTILES (2), TRUSTS (77), OILS (2), OVERSEAS TRADERS (1).

NEW LOWS (9)

AMERICANS (1), Pall Corp, ELECTRICALS (1), Pericom, FOODS (1), Wessanen, LEISURE (1), Television Services, TRUSTS (4), Cambrian & General, Do. Cap., F & C Eurotrust, Paribus French Inv. Tst., OVERSEAS TRADERS (1), REA Hldgs.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	12,900	178	+4	Ladbroke	913	432½	+9½
Allied Lyons	4,700	439	+15	Land Securities	2,000	520	+5
Amstrad	13,000	188	−14½	Legal & Gen.	1,300	335	+8
Argyll Group	3,000	473	+16	Lloyds Bank	754	540	+8
Assoc. Brit. Foods	139	396	+3	Lonrho	225	285½	−1½
BAT	3,800	604	+10	MEPC	917	470	+8
BET	1,600	281	+1	Marks & Spncr	9,450	265	+11
BOC	1,700	474	+7	Midland Bank	1,200	605	+1
BPB Inds	748	845	+27	NatWest Bank	1,700	682	+14
BPCC	788	303	+3	Next	2,500	339	+7
BTR	2,200	326	+1	Pearson	2,100	642	+13
Barclays	2,600	543	+6	P & O	74700	703	+4
Bass	827	992	+18	Pilkington Bros	2,700	900	+20
Beecham	4,700	555	+11	Plessey	5,100	208½	+3½
Blue Circle	3,100	510	+33	Prudential	358	957	+17
Boots	8,900	297	+9	Racal	1,900	256	+6½
Brit. Airways	17,900	165	+6	Rank Org.	1,400	759	+42
Brit. Aero	2,400	576	−1	RHM	1,800	322	+6½
Brit. & Comm.	1,800	463	+19	Reckitt & Col	239	£11⅝	+1/16
Brit. Gas	48,000	191	+6	Redland	1,500	539	+16
Britoil	4,900	287½	+7½	Reed Intl.	975	467	+9
BP	10,850	359	+3	Reuters	853	749	+2
Brit. Telecom	18,500	335½	+7½	RMC	441	998	+23
Bunzl	572	248	—	RTZ	478	£10⅛	+1/16
Burton	11,000	344	+19	Rolls-Royce	10,000	138	+1
Cable & Wire	4,800	413	+9	Rowntree Mac	1,700	545	+14
Cadbury Schwps	3,000	257	+4	Ryl Bank Scotland	590	362	+5
Coats Viyella	422	635	+1	Royal Insurance	1,200	450	−4
Comm. Union	2,500	327	+5	STC	826	318	+4
Cons. Gold	342	£10⅝	+1/16	Saatchi & Saatchi	821	589	+10
Cookson	711	684	+2	Sainsbury	316	545	+11
Courtaulds	3,200	474	−1½	Scott & Newcastle	1,200	240	+5
Dee Corpn	3,700	243	+6	Sears	5,800	160½	+3½
Dixons Grp	2,800	393	+2	Sedgwick	3,400	290	−5
English China Clays	579	502	+8	Shell Trans	2,600	£13 3/16	+1/16
Fisons	2,800	381	+9	Smith & Nephew	1,800	166	+½
Gen. Accident	119	945	−9	Standard Chart.	58	803	+3
Gen. Elect	3,900	238	+3	Storehouse	1,500	297	+5
Glaxo	3,800	£17½	+⅜	Sun Alliance	427	885	+7
Globe Investment	836	172½	+3½	TSB	4,600	93	+2
Granada	1,000	352	+7	Tarmac	912	581	+6
Grand Met	4,000	572	+20	Tesco	2,100	568	+16
Gus "A"	507	£14 3/16	+⅛	Thorn EMI	3,500	741	+24
Guardian R.E.	127	935	+5	Trafalgar House	1,500	366½	+4½
GKN	2,600	344	+9	T'house Forte	1,400	250½	+4½
Guinness	12,000	379	+15	Unigate	3,600	412	−3
Hanson Trust	12,000	169	+2½	Unilever	545	£32⅝	+⅛
Hawker Sidd	1,500	524	+6	United Biscuits	2,300	326	+4
Hillsdown Hldgs	4,900	302	+5	Wellcome	1,500	455	+50
ICI	3,000	£14⅜	−⅛	Whitbread "A"	2,100	353	+9
Jaguar	753	535	+1	Woolworth	1,500	889	+24

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	107	0	6
Corporations, Dominion and Foreign Bonds	32	3	26
Industrials	661	328	562
Financial and Properties	262	101	234
Oils	26	34	52
Plantations	1	6	7
Mines	25	82	81
Others	94	67	84
Totals	1,208	621	1,052

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Tuesday June 9 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Mon June 8 Index No.	Fri June 5 Index No.	Thurs June 4 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (211)	935.42	+1.1	7.33	2.85	17.21	9.24	924.99	928.41	922.88	726.62
2	Building Materials (27)	1233.28	+2.3	6.95	2.73	17.96	9.68	1205.18	1206.87	1191.58	799.35
3	Contracting, Construction (33)	1580.64	+0.8	7.59	3.01	17.68	18.93	1567.61	1562.93	1554.26	1206.01
4	Electricals (13)	2377.62	+1.0	5.61	3.29	23.95	31.62	2353.26	2356.92	2369.92	1962.31
5	Electronics (36)	2086.34	+0.5	7.39	2.13	17.59	12.50	2075.24	2082.78	2075.11	1682.19
6	Mechanical Engineering (59)	499.53	+1.0	8.36	3.46	15.30	7.22	494.78	498.96	496.38	408.67
8	Metals and Metal Forming (7)	517.28	+1.6	7.18	2.93	16.78	5.36	509.26	508.86	505.45	355.65
9	Motors (15)	352.78	+1.3	8.65	3.02	13.46	3.38	348.30	348.43	343.48	300.08
10	Other Industrial Materials (21)	1545.67	+0.7	6.44	3.19	18.71	18.43	1534.74	1547.52	1545.97	1302.98
21	CONSUMER GROUP (185)	1308.74	+2.1	6.04	2.54	21.30	11.30	1282.41	1278.84	1271.34	899.64
22	Brewers and Distillers (22)	1214.58	+3.0	7.79	2.91	16.24	9.97	1179.17	1176.35	1177.53	915.75
25	Food Manufacturing (25)	1001.84	+1.2	6.93	3.02	18.80	11.41	989.90	991.47	975.65	663.10
26	Food Retailing (15)	2419.40	+2.4	5.42	2.38	25.23	21.12	2363.46	2378.51	2370.68	1749.51
27	Health and Household Goods (10)	2541.52	+1.8	3.87	1.53	30.27	8.73	2497.05	2464.91	2454.90	1547.88
29	Leisure (31)	1343.07	+1.9	5.94	3.16	22.15	14.78	1318.67	1318.10	1316.02	880.94
31	Packaging & Paper (15)	669.78	+0.3	5.83	2.56	22.33	5.36	668.04	665.88	659.09	479.33
32	Publishing & Printing (14)	3843.57	+1.1	6.20	3.14	20.77	33.22	3801.23	3792.04	3752.52	2480.13
34	Stores (37)	1124.47	+3.0	6.33	2.55	21.47	11.62	1091.35	1087.17	1079.19	864.12
35	Textiles (16)	758.59	+0.3	8.08	2.94	14.37	10.56	756.41	761.67	761.91	533.84
40	OTHER GROUPS (87)	1124.00	+1.2	7.44	3.01	16.82	8.72	1110.35	1104.97	1093.66	781.28
41	Agencies (17)	1497.04	+0.4	4.67	1.70	28.29	9.15	1491.80	1499.77	1495.46	0.00
42	Chemicals (21)	1338.95	−0.2	7.29	3.27	16.81	18.71	1342.25	1351.94	1356.47	870.33
43	Conglomerates (11)	1354.00	+1.2	7.75	3.30	14.76	7.75	1337.97	1331.75	1328.38	0.00
45	Shipping and Transport (11)	2256.66	+1.4	6.96	3.54	18.02	34.71	2225.38	2222.87	2208.53	1525.59
47	Telephone Networks (2)	1274.14	+2.3	7.34	2.94	18.58	1.09	1245.78	1229.53	1197.50	880.91
48	Miscellaneous (25)	1501.19	+1.4	8.76	2.93	13.67	17.65	1481.13	1466.78	1453.06	1024.22
49	INDUSTRIAL GROUP (483)	1175.31	+1.6	6.75	2.74	18.81	10.22	1156.86	1154.82	1146.62	835.74
51	Oil & Gas (17)	2178.15	+1.1	5.02	4.24	25.80	37.10	2153.55	2167.64	2163.02	1194.82
59	500 SHARE INDEX (500)	1260.36	+1.5	6.49	2.97	19.61	12.57	1241.40	1240.76	1232.88	867.72
61	FINANCIAL GROUP(118)	757.15	+1.0	—	3.86	—	12.06	749.66	754.32	749.60	578.26
62	Banks (8)	793.73	+1.4	17.58	4.72	7.52	15.49	783.04	792.32	785.44	603.10
65	Insurance (Life) (9)	1064.51	+1.8	—	3.96	—	20.71	1046.00	1046.36	1039.80	797.09
66	Insurance (Composite) (7)	546.57	+0.1	—	4.48	—	11.76	546.14	546.82	545.64	463.09
67	Insurance (Brokers) (9)	1212.29	+0.2	8.91	4.44	14.43	26.32	1209.39	1217.22	1215.25	1147.78
68	Merchant Banks (11)	387.90	+0.3	—	3.31	—	3.27	386.65	388.55	388.15	354.01
69	Property (46)	1155.45	+0.6	3.98	2.52	32.67	8.86	1148.80	1160.82	1153.46	768.44
70	Other Financial (28)	498.00	+1.8	6.58	3.12	19.17	4.82	488.99	486.87	482.07	344.64
71	Investment Trusts (93)	1042.63	+0.9	—	2.29	—	9.04	1033.06	1031.63	1028.91	746.76
81	Mining Finance (2)	512.15	+0.6	5.97	3.24	19.69	6.79	509.05	509.66	508.41	280.73
91	Overseas Traders (11)	1049.96	+0.4	8.43	4.42	14.16	22.64	1045.59	1047.33	1040.98	668.01
99	ALL-SHARE INDEX(724)	1124.99	+1.4	—	3.09	—	12.28	1109.39	1109.93	1103.11	785.22

	Index No.	Day's Change	Day's High	Day's Low	June 8	June 5	June 4	June 3	June 2	Year ago
FT-SE 100 SHARE INDEX ‡	2265.2	+36.8	2269.9	2243.9	2228.4	2228.8	2214.2	2235.4	2219.6	1586.4

FIXED INTEREST

	PRICE INDICES	Tues June 9	Day's change %	Mon June 8	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	124.67	+0.32	124.27	—	5.28
2	5-15 years	146.72	+0.67	145.75	—	5.56
3	Over 15 years	158.10	+0.96	156.88	0.28	5.49
4	Irredeemables	171.58	+0.97	169.93	—	6.30
5	All stocks	142.43	+0.62	141.59	0.05	5.50
	Index-Linked					
6	5 years	123.16	+0.24	122.87	—	0.83
7	Over 5 years	119.56	+0.28	119.23	—	1.17
8	All stocks	119.67	+0.28	119.34	—	1.13
9	Debentures & Loans	125.15	+0.45	124.58	—	5.65
10	Preference	89.40	—	89.40	—	2.87

	AVERAGE GROSS REDEMPTION YIELDS		Tues June 9	Mon June 8	Year ago (approx.)
	British Government				
1	Low	5 years	7.81	7.90	7.45
2	Coupons	15 years	8.59	8.70	8.88
3		25 years	8.60	8.71	8.94
4	Medium	5 years	8.62	8.77	9.02
5	Coupons	15 years	8.83	8.93	9.24
6		25 years	8.83	8.93	9.25
7	High	5 years	8.86	8.98	9.12
8	Coupons	15 years	8.95	9.06	9.39
9		25 years	8.75	8.85	9.28
10	Irredeemables †		8.70	8.79	8.77
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	2.27	2.33	3.75
12	Inflat'n rate 5%	Over 5 yrs	3.57	3.59	3.31
13	Inflat'n rate 10%	5 yrs	1.87	1.93	2.63
14	Inflat'n rate 10%	Over 5 yrs	3.49	3.50	3.16
15	Debs &	5 years	9.49	9.59	10.04
16	Loans	15 years	9.88	9.95	10.11
17		25 years	9.98	10.03	10.13
18	Preference †		10.14	10.14	10.34

‡ Opening index 2244.4; 10 am 2258.8; 11 am 2262.8; Noon 2269.1; 1 pm 2266.8; 2 pm 2269.2; 3 pm 2265.4; 3.30 pm 2260.8; 4 pm 2265.1

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
Allied Lyons (*438)	390	55	68	80	5	10	15
	420	34	48	58	13	20	25
	460	15	28	40	37	42	45
[illegible]							

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Guinness (*379)	300	87	93	—	2	5	—
	330	60	68	80	5	12	13
	360	40	53	60	15	23	28
[illegible]							

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (Continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (Continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued on Page 49

[illegible]

CANADA

TORONTO
Closing prices June 9

[illegible]

Sales 5,736,897 shares

MONTREAL
Closing prices June 9

[illegible]

F—No voting rights or restricted voting rights.

Indices

NEW YORK-DOW JONES

	June 9	June 8	June 5	June 4	June 3	June 2	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Industrials	2,352.7	2,351.64	2,328.15	2,337.88	2,328.89	2,278.22	2405.54 (6/4/87)	1827.31 (2/1)	2405.54 (6/4/87)	41.22 (2/7/32)
Transport	1,013.34	1,001.42	988.86	984.58	978.78	988.58	1001.42 (8/6/87)	816.38 (2/1)	964.64 (6/5/87)	12.32 (8/7/32)
Utilities	201.12	201.86	198.64	198.47	198.86	194.81	227.83 (22/1/87)	191.38 (20/5)	227.83 (8/4/87)	10.5 (8/4/32)
Trading vol	—	136.37m	129.11m	140.38m	164.17m	153.7m	—	—	—	—

	May 29	April 24	April 10	Year Ago (Approx)
Ind Div Yield %	2.93	2.99	2.88	3.67

STANDARD AND POORS

	June 9	June 8	June 5	June 4	June 3	June 2	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Industrials	342.37	344.19	340.53	342.84	340.77	334.07	349.93 (6/5/87)	274.58 (2/1/87)	340.40 (8/4/87)	3.82 (21/6/32)
Composite	297.28	298.72	293.45	295.00	293.47	290.46	301.95 (8/4/87)	240.45 (2/1/87)	301.95 (8/4/87)	4.40 (1/6/32)

	April 22	April 15	April 8	Year Ago (Approx)
Ind div yield %	2.52	2.54	2.47	2.86
Ind. P/E Ratio	23.17	21.23	22.12	17.22
Long Gov Bond Yield	8.32	8.38	7.88	7.78

N.Y.S.E. ALL COMMON

June 9	June 8	June 5	June 4	1987 High	1987 Low
167.38	167.13	166.40	166.16	171.86 (24/3/87)	141.81 (21/1)

RISES AND FALLS

	June 8	June 5	June 4
Issues traded	1,979	1,939	1,858
Rises	1,018	714	917
Falls	513	808	604
Unchanged	448	417	429

TORONTO

	June 9	June 8	June 5	June 4	1987 High	1987 Low
Metals & Minls	2,881.9	2,840.6	2,836.40	2,828.6	2,943.6 (11/5/87)	1,888.2 (2/1/88)
Composite	3,717.9	3,728.3	3,728.10	3,728.2	3,881.2 (8/4/87)	3,087.8 (2/1/88)
MONTREAL Portfolio	1,857.95	1,862.38	1,862.90	1,864.48	1,935.0 (8/4/87)	1,534.3 (2/1/85)

* Indicates pre-close figure

	June 9	June 8	June 5	June 4	1987 High	1987 Low
AUSTRALIA						
All Ord (1/1/80)	1781.5	(c)	1778.0	1772.4	1858.8 (18/5)	1486.7 (2/2)
Metals & Minerals (1/1/80)	1075.0	(c)	1073.7	1077.9	1287.5 (18/5)	729.1 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	185.99	(c)	186.61	186.60	230.60 (2/1)	183.43 (25/5)
BELGIUM						
Brussels SE (1/1/84)	4580.70	(c)	4566.72	4527.60	4683.0 (15/5)	3987.86 (9/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	(c)	(c)	(u)	217.57 (22/1)	189.64 (6/1)
FINLAND						
Unitas General (1975)	531.7	524.7	523.0	522.5	531.7 (9/6)	425.2 (5/1)
FRANCE						
CAC General (31/12/82)	414.20	(c)	413.40	418.30	460.4 (26/3)	392.0 (2/1)
Ind Tendance (31/12/86)	102.70	(c)	102.80	104.10	117.2 (26/3)	97.8 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	576.03	(c)	578.56	582.59	676.84 (6/1)	538.32 (19/3)
Commerzbank (1/12/53)	1741.50	(c)	1749.90	1762.40	2048.3 (6/1)	1633.8 (19/3)
HONG KONG						
Hang Seng Bank (31/7/64)	3108.57	3068.06	3064.33	3023.60	3108.57 (9/6)	2449.88 (20/1)
ITALY						
Banca Com. Ital (1972)	703.10	701.43	697.40	695.03	767.34 (30/4)	673.60 (3/3)
JAPAN**						
Nikkei (16/5/49)	25379.88	25523.89	25271.30	25366.11	25523.89 (8/6)	18544.0 (13.1)
Tokyo SE New (4/1/68)	2196.01	2195.28	2181.01	2190.35	2195.28 (8/6)	1557.46 (13/1)
NETHERLANDS						
ANP CBS Gen (1970)	287.30	(c)	287.0	287.90	293.4 (9/4)	257.7 (28/1)
ANP CBS Indust. (1970)	244.00	(c)	245.50	247.40	274.9 (5/1)	243.7 (28/1)
NORWAY						
Oslo SE (4/1/83)	435.82	(c)	—	436.15	436.16 (24/4)	361.98 (2/1)
SINGAPORE						
Straits Times (30/12/66)	1223.82	1241.00	1245.71	1238.21	1245.71 (5/6)	889.08 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	2093.0	2093.0	2076.0	2083.0	2308.0 (27/4)	1786.0 (19/3)
JSE Indust (28/9/78)	1884.0	1884.0	1878.0	1864.0	1957.0 (19/5)	1423.0 (2/1)
SPAIN						
Madrid SE (30/12/85)	224.83	223.35	225.75	227.81	255.95 (23/2)	202.89 (8/5)
SWEDEN						
Jacobson & P. (31/12/56)	(u)	(c)	2636.80	2635.20	2782.10 (6/5)	2111.39 (28/1)
SWITZERLAND						
Swiss Bank Corp (31/12/58)	581.60	(c)	585.90	584.10	603.3 (6/1)	564.5 (25/2)
WORLD						
M.S.Capital Intl. (1/1/70)	(u)	466.90	466.90	468.5	476.50 (8/5)	361.3 (2/1)

**Saturday May 30: Japan Nikkei 24,901.59. TSE: 2,146.26.

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia. All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
Det Ed	1,137,200	16⅝	− ¼	Pac Ga Co	1,362,800 xd	19⅝	− ⅛
Pan Am CP	2,150,800	5¼	+ ¼	Gen Elec	1,325,200	53¾	− ¼
Dayton Hud	1,805,300	61⅞	+ 1½	East Kodak	1,310,000	81¾	+ 1¾
New Englan	1,508,700	27⅝	+ ⅛	ATT	1,301,000	25⅝	− ⅜
Motorola	1,486,400	54½	+ ⅞	Pepsico	1,285,700	36¼	− ⅛

Advances 581 Declines 670

LONDON — Most Active Stocks
Monday, June 9, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
British Gas	48.00m	191	+ 6	Guinness	12.80m	379	+ 15
British Telecom	18.60m	335½	+ 7½	Hanson Trust	12.00m	180	+ 2½
British Airways	17.80m	185	− 6	Burton	11.80m	344	+ 19
Amstrad	13.80m	188	− 14½	BP	10.86m	359	+ 3
ASDA-MFI	12.90m	178	+ 4	Rolls Royce	10.80m	138	+ 1

TOKYO — Most Active Stocks
Tuesday, June 9, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Nippon Steel	23.42m	361	+ 1	Central Glass	8.24m	710	− 25
Mitsubishi Elec	16.90m	588	− 12	Dai Nippon Ink	8.16m	778	+ 4
Denki Kagaku	13.94m	754	+ 31	Nikkatsu	7.84m	324	+ 23
Nippon Kayaku	10.28m	1,480	+ 110	Fujitsu	7.73m	1,070	+ 40
Mitsubishi Heavy	9.74m	610	− 1	Kasaya	7.45m	430	+ 13

LONDON Chief price changes
(in pence unless otherwise indicated)

RISES:

Treas 13½ pc 20%	£141⅛	+ 1⅞
	439	+ 15
Allied-Lyons	473	+ 16
Argyll Group	845	+ 27
BPB Inds	555	+ 11
Beecham	510	+ 33
Blue Circle	297	+ 9
Boots	302	+ 18
Bradstock	191	+ 6
British Gas	335½	+ 7½
Brit Tel	287	+ 7½
Britoil	344	+ 19
Burton	261	+ 6½
Enterprise Oil	£17½	+ ¾
Glaxo	572	+ 20
Grand Metro	379	+ 15
Guinness	655	+ 16
Lucas Inds	180	+ 50
Marina Dev	265	+ 11
Mrks & Spncr	682	+ 14
NatWest Bank	379	+ 13
Pearl	900	+ 20
Pilkington	998	+ 23
RMC	385	+ 25
Ratners	194	+ 9
Rothschild (J)	568	+ 16
Tesco	741	+ 24
Thorn EMI	200	+ 10
Vickers		

FALLS:

Atkins Bros	292	− 18
Siebe	£11⅛	− ²³⁄₃₂

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33⅝	20⅛	AAR s	.50	1.6	22	244	31½	31¼	31½	
37	21⅞	ADT	.92	2.9	18	146	32	31	32	+1¼
27¾	16¾	AFG s	.16	.6	11	373	25¾	25⅛	25¾	+½
22⅝	6⅝	AGS s			20	224	19⅞	19¼	19⅞	+½
13	6¾	AMCA				2	8	8	8	
9⅝	4⅞	AM Intl				1444	6¾	6⅝	6¾	
62⅛	47¼	AMR			12	10897	59⅞	58⅝	59½	+1⅜
11¾	8	ARX s			12	124	10½	10⅜	10⅜	−⅜
73½	28¾	ASA	2a	3.4		487	59½	58¾	59⅛	+⅜
20	9¾	AVX		1.9	84	168	16⅞	16⅝	16⅞	+⅛
67	41	AbtLab	1	1.6	26	2426	62¾	61½	62¼	−⅛
23⅛	16⅝	AccoW s	.44	2.0	20	741	21⅞	21¼	21¾	+⅝
15⅛	9	AcmeC	.40	2.9	10	304	13⅝	12¾	13⅝	+⅞
8⅜	6⅛	AcmeE	.32b	4.1	30	4	7⅞	7¾	7¾	−¼
29⅞	19	AdaEx	3.42e	16.		85	21⅞	21⅝	21⅞	+⅜
19½	11⅜	AdmM s	.24	1.5	12	24	16⅞	16½	16½	−½
21½	12⅛	AdvSys	.62t	2.8	16	588	u22⅝	20¼	22½	+2
25	12⅞	AMD				8856	22⅛	21⅜	21¾	+⅜
54¾	49⅜	AMD pf	3	5.7		46	53¼	52¾	53	+1
10¾	5¼	Adobe				59	9⅛	8⅞	9	−¼
20½	13¾	Adob pf	1.84	9.9		3	18½	18½	18½	−¼
21⅞	16⅜	Adob pf	2.40	11.		6	20⅞	20⅞	20⅞	+⅛
16⅞	10⅝	Advest	.12a	1.0	9	141	12⅞	12½	12⅝	−⅛
68¼	53	AetnLf	2.76	4.8	9	3551	57⅜	56¾	57	−½
53⅝	51⅛	AetL pf	3.75e	7.3		3	51⅝	51⅝	51⅝	+¼
60⅝	26½	AflPb s	.32	.5	32	542	u62	60⅝	62	+2⅛
28¾	18⅝	Ahmans	.88	4.3	6	3538	20⅝	20¼	20⅜	+⅛
5¾	2⅞	Aileen				148	4⅝	4½	4½	
48½	29⅛	AirPrd	.80	1.8	249	880	44⅞	44	44⅞	+1

Continued on Page 49

NYSE COMPOSITE CLOSING PRICES

Continued from Page 48

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

Continued on Page 47

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Banks unruffled by latest loan loss provisions

WALL STREET

EQUITY PRICES lost all direction on Wall Street yesterday despite a lively start to trading in the morning, as US bond and currency markets continued their downward drift, *writes Anatole Kaletsky in New York.*

The troubles at Bank of America had no appreciable impact on the market and even bank shares remained almost motionless throughout the day.

Strong words on currency stability from the economic summit in Venice were backed up in Washington by Mr Manuel Johnson, vice chairman of the Federal Reserve Board, testifying before the Congress. But while the promises helped to put a floor under the dollar and the bond market, the US currency had nevertheless fallen by more than one yen and nearly 1¼ pfennigs by late afternoon. The benchmark Treasury long bond moved down in sympathy by nearly half a point.

These confusing signals left equity investors to concentrate on special situations and churning their portfolios. This activity generated a respectable volume of 165m shares on the Big Board. The Dow Jones industrial average closed 1.06 up at 2350.12, having moved within a 5 point range of the previous night's close throughout the day.

Saudi Arabia's new share trading floor has closed after less than a month, Page 30

Blue chips were narrowly mixed, with IBM down $1⅛ to $159⅞, while Digital Equipment rose $2 to $166⅞. General Motors was down $⅛ to $86⅛, against Ford's rise of $⅜ to $94⅞. Merck rose $⅝ to $163⅞ and American Express improved $½ to $34⅞.

Investors in bank shares proved totally indifferent to the news of BankAmerica's $1.1bn in Third World debt provisions and the projected loss of $1bn in the current quarter.

While most other bank managements were praised for realism and managed to raise their stock prices by following the lead set by Citicorp last month, there was a widespread market view that investors might take fright if BankAmerica cut even deeper into its already thin equity base.

In the event, the bull and bear viewpoints offset each other and BankAmerica fell only $⅛ to $11⅞.

Most other bank stocks strengthened marginally, with Citicorp up $⅜ to $60⅛, Chase Manhattan up $⅜ to $40⅛ and JPMorgan $1⅛ higher at $49⅞.

Manufacturers Hanover Trust, the bank considered most vunerable along with BankAmerica, suffered a setback of $⅜ to $43⅛. Trading in the bank stocks was surprisingly thin, with none of the big banks figuring among the day's most active issues.

Special forces were also at play in the airlines sector, where American, the third largest airline, announced that it would follow fare increases implemented by Texas Air and United, the two industry leaders, earlier this week. AMR, American's parent rose $⅜ to $59⅛, Texas Air jumped $1⅞ to $38⅛ and Delta, the fourth largest carrier, advanced $1⅛ to $ 57⅛. Allegis, the parent company of United Airlines, which is currently beleaguered by Coniston Partners and other bidders, rose $1⅛ to $90⅞.

Semiconductor stocks were another active sector, as investors responded to reports of strong order books for May. Texas Instruments was up $6 to $175⅞ and Motorola rose $1⅛ to $54⅞. Among the other technology stocks, Seagate Technology, a maker of disc drives, rose $1⅞ to $41⅞ ..

As usual, activity in the bond market closely mirrored the fortunes of the dollar. By late afternoon the Treasury long bond was down ¹⁵⁄₃₂ at 100⅛, to yield 8.719 per cent. Fed Funds traded in a narrow range between 6⁹⁄₁₆ and 6¹¹⁄₁₆ per cent throughout the day.

CANADA

A MILD RALLY in gold stocks failed to prevent Toronto prices from slipping in busy trade.

Sears Canada topped the actives, shedding C$⅛ to C$11⅛. Next busiest Bank of Montreal also fell, by C$⅛ to C$33⅞.

Elsewhere, Nova Alberta Corp class A shares found support to add C$⅛ to C$8⅞ and Laidlaw Transportation class B climbed C$⅛ to C$20.

As golds recovered from Tuesday's setback, Echo Bay pulled back C$½ to C$52⅞ and announced a 2-for-1 stock split for July 14. Lac Minerals added C$½ to C$45½ and Dome Mines was C$¼ higher at C$19⅞.

Base metals were mixed. Inco was down C$¼ at C$23⅛, while Falconbridge added C$⅛ to C$21⅛. Noranda lost C$⅛ to C$29⅞.

SOUTH AFRICA

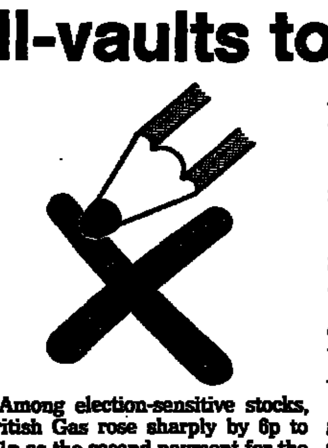
EARLY DEMAND for gold shares subsided in Johannesburg as investors awaited signals from the Venice summit, leaving prices slightly lower. The gold index lost 4 to 2,089.

Randfontein continued its slide, losing R3 at R442. Vaal Reefs shed R1 to R414, and Freegold was 50 cents down at R53.50. Grootvlei, however, firmed 10 cents to R17.60 among the few advancing shares in the sector.

Diamond De Beers followed weaker golds with a 35 cent drop to R38.65. Rustenburg platinum was also off by 25 cents at R55.

Mining financials Anglo American and Gencor each managed a 25-cent rise to R60 and R57.75, respectively.

London poll-vaults to new high



THE LATEST election campaign opinion poll and a strong overnight showing by Wall Street swept London share prices to record levels as sterling and the bond market also firmed.

The Marplan poll showed the Conservatives maintaining their lead over the opposition parties in advance of election day, now only 24 hours away.

It sent the FT-SE 100 index soaring by 41 points at best before it closed at an all-time high of 2,265.2, up 36.8 on the day. The FT Ordinary index was also at a new peak of 1,781.3, a rise of 34.1.

Share turnover increased, though modestly. Institutional demand was selective as foreign funds restricted themselves to long-favoured multinational issues.

Among election-sensitive stocks, British Gas rose sharply by 6p to 191p as the second payment for the recently privatised issue fell due. British Telecom was up 7½p to 335½p and British Airways gained 6p to 165p.

In the international sector, the outstanding feature was Glaxo, which surged again in advance of today's listing on New York's Big Board. Glaxo, up ⅜ at £17½, is known to be favoured by Japanese funds, but foreign interest was moderate yesterday.

Also strong were Fisons, up 9p at 381p, Beecham, 11p higher at 555p, and Unilever, ahead by ⅛ at £32⅞.

However, sterling's strength discouraged a few export stocks, notably ICI, off ⅛ at £14⅞, and British Aerospace, down 1p at 576p.

Government bonds had a very good day, with the buying strength enabling the authorities to activate the 2002-06 tap stock on two occasions. Long-dated bonds closed just over a point higher, bringing yields down to 8.7 per cent. Both foreign and domestic funds bought UK gilts. Details, Page 46

UK punters grab new issue by the neck

By Alice Rawsthorn in London

"WE LIVE in a 'get rich quick' society. I am not sure I approve. But if there is easy money to be had – I want some," said Fred as he perused the scrum of investors queueing yesterday in the London rain for applications to buy shares in Tie Rack, a chain of necktie shops.

Like most people waiting to file last minute applications Fred, a messenger for a City of London stockbroker, plans to sell his shares for a quick profit after trading begins next Tuesday. He has been speculating on new issues for seven years and uses the money to augment his income.

"How do you think I can afford these threads?" bragged a sharp-suited bank clerk who has "made a few thousand pounds" by speculating on new issues since the Jaguar privatisation three years ago. His companion was also a devotee of stock market debutantes.

"I used to think investment was a form of gambling. But the only gamble in the new issues market these days is whether your application will be accepted," he said.

The queue formed outside the National Westminster Bank in Princes Street at 7.30am. Hundreds of investors braved the rain to deliver applications for shares until the list closed at 10am.

The offer for sale of Tie Rack follows an unprecedentedly buoyant period for the new issues market. Its flotation is one of the most expensive the London market has ever seen – the company issued 8.6m shares at 145p on an historic price/earnings multiple of 31.5 – but investors were undeterred.

Samuel Montagu, the merchant bank handling the issue, said that the offer was already "seven or eight times subscribed" before yesterday's morning mail had been opened or the 19 crates of hand delivered applications counted.

EUROPE

Buyers hold off amid hesitancy over summit

LIGHT SELLING depressed most European markets as traders returned from the long weekend. Buying was subdued by the absence of good corporate news and hesitancy over the outcome of the Venice summit.

Frankfurt eased in a quiet market in which small sell orders sufficed to push prices lower. Blue chips and exporters were badly hit as the dollar fix slipped below DM 1.80, but their weakness was widely shared. The Commerzbank index of 60 leading shares fell 8.4 to 1,749.9.

Car stocks fell. VW dropped DM 4.60 to DM 372.00 amid investor fears that the impending shareholders' meeting will hold management responsible for currency fraud losses. Good May sales of BMW's 7 series failed to help the company's stock, which fell DM 3 to DM 611. Daimler lost 50 pfg to DM 1,011, but off the day's lows.

Machinery maker Mannesmann loss 5.60 to DM 149.20, Siemens fell DM 1.20 to DM 697.80 and Hoechst gave up DM 50 pfg to DM 271.50.

Banks also gave ground, Dresdner by DM 17.50 to DM 290.50, but ex a 1-for-18 scrip issue. Deutsche fell DM 9 to DM 585 prior to today's 1-for-15 rights issue at DM 450. Commerzbank was DM 2 down at DM 245.

Tyremaker Conti-Gummi firmed against the market by 70 pfg to DM 334.20. It said it will bid for US-based Gencorp's tyre unit General Tire.

Public authority bonds firmed in quiet trade. The Bundesbank sold DM 71.3m of paper after selling DM 13.3m on Tuesday.

Amsterdam drifted slightly lower in the absence of buying orders. Blue chips dominated trading and most closed at the day's lows. Royal Dutch lost Fl 3 at Fl 254.

Unilever proved an exception, however, with a Fl 6.70 advance to Fl 659 as demand followed Friday's news of its sale of Stauffer Chemical to ICI of the UK. KLM and Akzo also managed rises of 50 cents each, to Fl 47.20 and Fl 130 respectively.

Publisher Elsevier said it plans to continue its pursuit of Kluwer and added Fl 1.20 to Fl 49.10. Kluwer shares have been suspended until at least tomorrow at Friday's closing price of Fl 327.00.

Zurich retreated broadly as foreign investors offloaded stocks. The market was further depressed by heavy sales, notably by UK investors, of Société Générale de Surveillance certificates after the group said currency movements would preclude its matching record 1986 profit figures. It tumbled SFr 1,050 to BFr 6,250.

Bearers in fellow quality control issue Inspectorate International eased SFr 85 to SFr 2,975.

Chemicals weakened, Ciba-Geigy bearer lost SFr 25 to SFr 3,175 and Sandoz bearer SFr 250 to SFr 11,750.

Banks fell, with engineering stocks mixed. Department stores managed gentle gains, however, with Globus SFr 100 better at SFr 8,600.

Paris fell after optimism over the resolution of the Government's internal tension gave way to renewed dollar worries.

A rise in overnight call rates by ⅛ of a percentage point to 8⅛ per cent sparked a sell-off in financial futures which spread to stocks. Construction issues were worst affected and Bouygues fell FFr 22 to a 12-month low of FFr 1,038.

Banks fell slightly, with resource stocks narrowly mixed.

Among selected gains, however, were Peugeot, up FFr 6 to FFr 1,525, as French car production jumped 13.8 per cent in the first quarter, and Moët-Hennessy, up FFr 5 at FFr 2,475.

Brussels advanced slightly against the European trend, although trade was dull and apparently uninspired by a cut in the rate for four-month Treasury certificates.

Solvay held on to its record BFr 12,450 after Friday's 6 per cent rise. Petrofina, however, halved Friday's big gains by BFr 125 to BFr 11,050.

Electricals surged, with Ebes BFr 100 up at BFr 4,920 and Unerg BFr 75 higher at BFr 3,100.

Milan rose slightly on a late buying spree. Cements continued their surge, with Italcimenti L1,400 stronger at L97,400. Most other blue chips caught the higher trend, although Olivetti fell L41 to L13,059.

Stockholm reached its highest close in four weeks as domestic interest rates softened. Blue chips made the best headway.

Ericsson added SKr 7 to SKr 270, Volvo gained SKr 3 to SKr 306 and Electrolux picked up SKr 2 to SKr 286.

Oslo was marginally higher despite the opposition parties' bid to oust the minority Labour Government.

MADRID share prices rose on speculative buying in advance of today's local and European elections as the market expected a good performance by the ruling Socialists at the polls.

The general index added 1.48 to 224.83. Quality construction, food, chemical, textile and metal stocks advanced.

Market leader Telefonica picked up 1⅞ percentage points to 170½ per cent of nominal market value. Utilities and banks, however, fell slightly.

ASIA

Selective sales reverse gains

TOKYO

AFTER a firm start, buying enthusiasm gradually dwindled in Tokyo yesterday, taking share prices moderately lower, *writes Shigeo Nishiwaki of Jiji Press.*

Leading domestic demand-related and large-capitalisation issues, together with high-technology stocks, came under small-lot selling pressure, while issues with good earnings prospects were traded briskly.

The Nikkei average fell 144.01 to 25,379.88. Volume totalled 627m shares compared with Monday's 678m. Declines outnumbered advances by 566 to 362, with 121 issues unchanged.

Lacklustre trading reflected both the caution of institutional investors, who are awaiting the outcome of the Venice summit, and the yen's renewed strength.

In addition, major securities houses were diverted into trading in futures contracts, based on a package of 50 stocks which the Osaka securities exchange launched yesterday.

Nippon Steel topped the active list but its trading volume totalled only 23.42m shares. The issue ended Y1 higher at Y361.

High-technology stocks proved popular in early trading, bolstered by the partial lifting of US sanctions against Japan over semiconductor trade. But they came under pressure later.

However, investors sought selected issues to earn short-term capital gains. Denki Kagaku Kogyo, with 13.94m shares changing hands, climbed Y31 to Y754, helped by the recovering chemical products market.

Nippon Kayaku soared Y110 to Y1,480 on investor expectations of the growth potential of its anti-cancer drug. Nikkatsu jumped Y23 to Y324 on rumours of its shares being hunted by speculators. Fujiya scored a maximum allowable single-day gain of Y100 to Y1,680.

Bond prices moved in a narrow range. The yield on the benchmark 5.1 per cent government bond, maturing in June 1996, opened at 3.005 per cent compared with 3.020 per cent at the close on Monday. Later, however, it came under selling pressure, with its yield rising to 3.080 per cent.

Around mid-day, the yield turned lower again, following reports that President Reagan had asked Japan to guide short-term interest rates lower at his meeting with Prime Minister Nakasone in Venice. The yield ended the day at 3.040 per cent.

HONG KONG

STRONG FOREIGN and local institutional buying pushed Hong Kong share prices to yet another record, with the Hang Seng index climbing 40.51 to 3,108.57.

US and Japanese institutions were particularly in evidence in a late buying spree. The Hong Kong index rose 27.64 to 2,0008.95 but turnover was down on Monday at HK$1.13bn.

Wharf Holdings picked up 20 cents to HK$8.60 and Hongkong Bank 15 cents to HK$8.45.

SINGAPORE

A BOUT of profit-taking took Singapore sharply lower as the technical correction to an overbought market gained hold. The Straits Times industrial index lost 17.18 to 1,223.82.

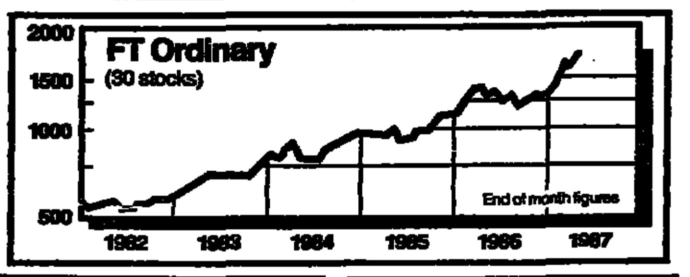
Biggest falls included Malayan Banking, down 35 cents at S$7.50, and Singapore Airlines and Genting, both 20 cents lower at S$13.50 and S$6.50 respectively.

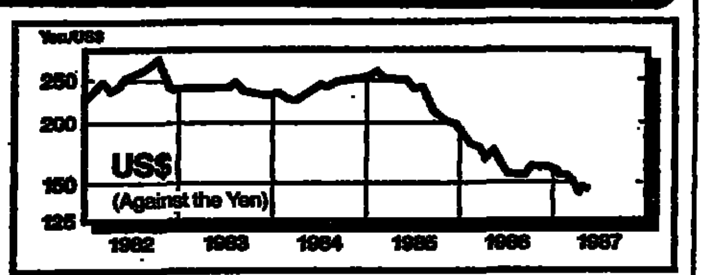
AUSTRALIA

DEMAND for selected industrials offset weaker golds in Sydney and took the All Ordinaries index up 3.3 to 1,781.2. But share volume was a low 96.8m as many investors stayed away after the long weekend and amid caution over the July elections.

Airship Industries rose 3 cents to A$1.08 after climbing to A$1.30 following its contract with the US Navy.

KEY MARKET MONITORS





STOCK MARKET INDICES

NEW YORK	June 9	Previous	Year ago
DJ Industrials	2,352.7	2,351.64	1,840.15
DJ Transport	1,013.34	1,001.42	776.38
DJ Utilities	201.12	201.06	183.89
S&P Comp.	297.28	296.72	239.98
LONDON FT			
Ord	1,781.3	1,727.2	1,314.4
SE 100	2,265.2	2,228.4	1,604.60
A All-share	1,124.19	1,109.39	785.22
A 500	1,260.36	1,241.40	876.72
Gold mines	388.7	395.5	206.0
A Long gilt	8.75	8.85	9.14
World Act. Ind (June 8)	131.29	131.46	90.28
TOKYO			
Nikkei	25,379.88	25,523.89	17,008.3
Tokyo SE	2,198.01	2,195.28	1,316.29
AUSTRALIA			
All Ord.	1,781.5	closed	1,230.2
Metals & Mins.	1,075.0	closed	530.2
AUSTRIA			
Credit Aktien	185.99	closed	244.88
BELGIAN SE	4,580.70	closed	3,580.60
CANADA			
Toronto Met.& Mins.	2,881.0	2,849.6	2,204
Composite	3,717.9	3,729.3	3,084.7
Montreal Portfolio	1,857.85	1,862.36	1,552.63
DENMARK SE			
SE	n/a	closed	229.76
FRANCE			
CAC Gen	414.20	closed	343.0
Ind. Tendance	102.70	closed	81.73
WEST GERMANY			
FAZ-Aktien	576.03	closed	652.17
Commerzbank	1,741.50	closed	1,971.4
HONG KONG Hang Seng	3,108.57	3,068.06	1,748.24
ITALY Banca Comm.	703.10	701.43	674.80
NETHERLANDS ANP CBS			
Gen	287.30	closed	289.2
Ind	244.00	closed	280.8
NORWAY Oslo SE	436.82	closed	348.25
SINGAPORE Straits Times	1,223.80	1,241.00	691.86
SOUTH AFRICA JSE			
Golds	—	2,093.0	1,236.8
Industrials	—	1,884.0	1,167.4
SPAIN Madrid SE	224.83	223.35	176.20
SWEDEN J & P	n/a	closed	2,431.79
SWITZERLAND Swiss Bank Ind	581.80	closed	560.7

COMMODITIES (London)

	June 9	Prev
Silver (spot)	467.70p	479.20p
Copper (cash)	£951.05p	£957.50
Coffee (July)	£1,288.05	£1,293.50
Oil (Brent)	$18.75	$18.825

GOLD ($/oz)

	June 9	Prev
London	$453.25	$455.75
Zürich	$453.25	$453.00
Paris (fixing)	$452.52	$452.89
Luxembourg	$451.95	$455.55
New York (August)	$461.20*	$454.30

CURRENCIES (London)

	US DOLLAR June 9	US DOLLAR Previous	STERLING June 9	STERLING Previous
$	—	—	1.6615	1.6390
DM	1.7905	1.8045	2.9750	2.9527
Yen	142.45	143.40	236.75	235.0
FFr	5.9875	6.0350	9.9475	9.8925
SFr	1.4925	1.5005	2.4825	2.4600
Fl	2.0175	2.0325	3.3525	3.3325
Lira	1,298	1,307	2,156.5	2,142
BFr	37.15	37.30	61.70	61.15
C$	1.3430	1.3425	2.2325	2.2015

INTEREST RATES

Euro-currencies (3-month offered rate)	June 9	Prev
£	8⅝	8⅝
SFr	3¹⁵⁄₁₆	4
DM	3⁷⁄₁₆	3⅝
FFr	8⁹⁄₁₆	8¹¹⁄₁₆
FT London Interbank fixing (offered rate)		
3-month US$	7⅝	7⅝
6-month US$	7¾	7⅞
US Fed Funds	6¾*	6¹¹⁄₁₆
US3-month CDs	6.85*	6.80
US3-month T-bills	5.60*	5.65

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
June	91-08	91-16	90-25	91-17
US Treasury Bills (IMM) $1m points of 100%				
Sept	93.64	93.65	93.58	93.59
Certificates of Deposit (IMM) $1m points of 100%				
June	n/a	n/a	n/a	93.28
LONDON				
Three-month Eurodollar $1m points of 100%				
June	92.77	92.77	92.74	92.77
20-year Notional Gilt £50,000 32nds of 100%				
June	127.16	127.20	127.06	126.09

US BONDS

Treasury

	June 9 Price	June 9 Yield	Prev Price	Prev Yield
7¼ 1989	100¹⁄₃₂	7.63	100⁸⁄₃₂	7.65
7 1994	92²⁄₃₂	8.406	92²⁄₃₂	8.381
8½ 1997	99²⁄₃₂	8.555	99²⁄₃₂	8.508
8¾ 2017	100⅛	8.728	100¹⁷⁄₃₂	8.67

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	June 9 Return Index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+1.55	7.78	−0.03

Source: Merrill Lynch

Corporate

	June 9 Price	June 9 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	93.24	6.35	93.11	6.40
SCBT South Central 10⅞ Jan 1993	102.50	10.26	102.25	10.34
Phibro Sal 8 April 1996	91.42	9.45	91.42	9.45
TRW 8⅞ March 1996	96.17	9.40	96.16	9.40
Arco 9⅞ March 2016	100	9.87	101.17	9.75
General Motors 8⅛ April 2016	83.57	9.80	84.00	9.80
Citicorp 9⅞ March 2016	90.67	10.40	91.07	10.35

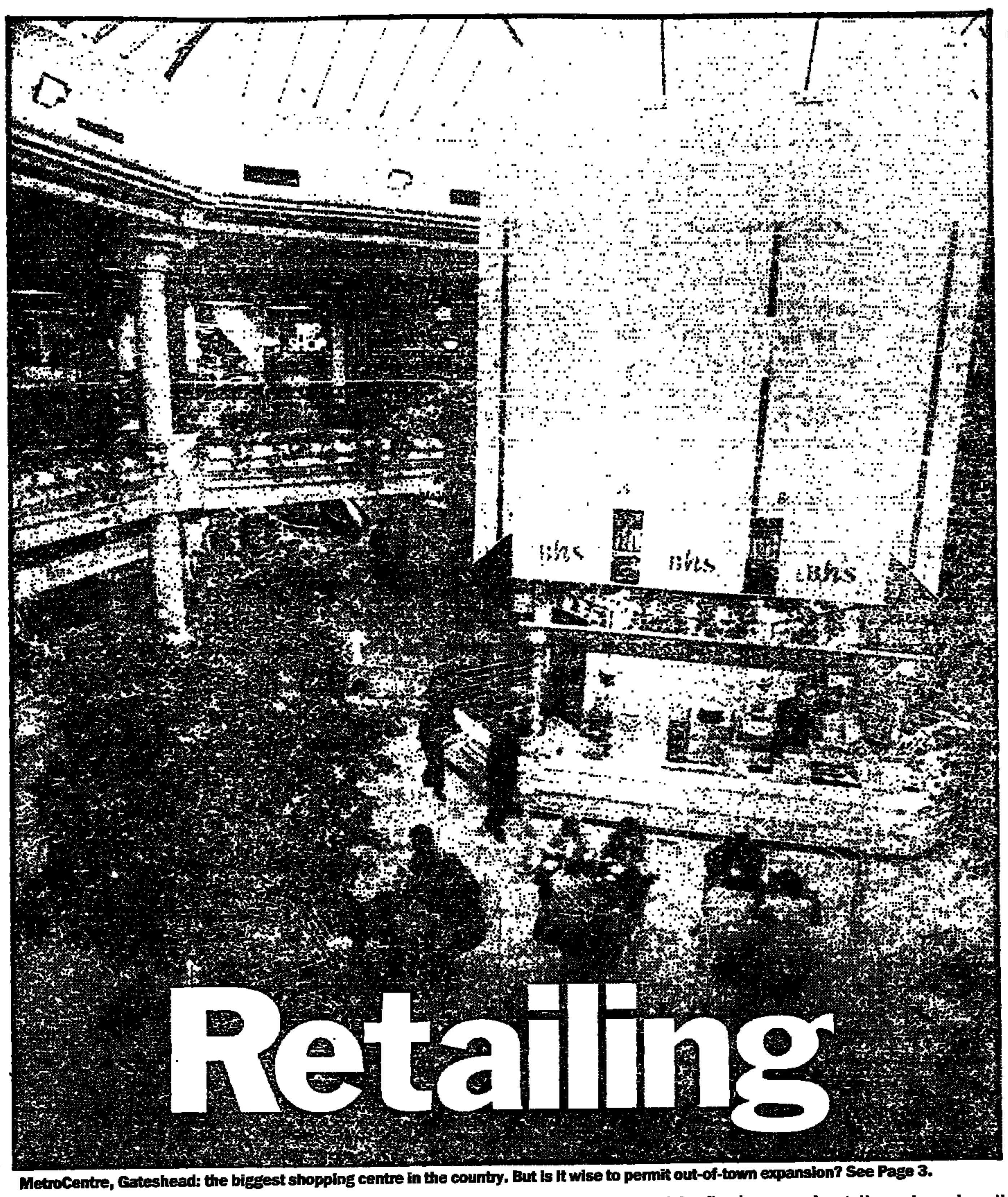
Source: Salomon Brothers

* Latest available figures

SECTION III

FINANCIAL TIMES SURVEY

Mass-market retailing could end up being dominated by 20 or so super shopkeepers. Takeovers look set to continue, market niches are being eagerly sought and exploited and money is being poured by the sector's moguls into bright new designs for their outlets. Meanwhile, the independents are having to fight for their lives, Christopher Parkes reports.



MetroCentre, Gateshead: the biggest shopping centre in the country. But is it wise to permit out-of-town expansion? See Page 3.

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Restless and growth hungry

THE EFFECTS of the plague of takeovers and mergers which has changed the face of the British retailing industry over the past five years have spread far beyond the narrow alleys of the City of London. They are now evident in the changing shopping environment along every high street, in every out-of-town lot, and alongside every ring-road in the country.

Since 1982 there have been some 20 major takeovers, worth about £6.5bn. One result has been the promotion of retailing to the premier league of British industry. At the last count, 10 retailers were listed among the top 100 UK companies ranked by turnover.

The number seems certain to grow as the takeover process continues. However, spending on acquisitions pales when compared with the investment the shopkeeper moguls are pouring into their businesses.

According to Mr Geoffrey Mulcahy, chief executive of Woolworth Holdings, the Woolworth, B&Q and Comet group, the new breed of retailers is investing some £3bn a year in its businesses. Spending projects range from refurbishment and image-building to wholesale restructuring of existing businesses and the conjuring up of new ones.

Woolworth itself typifies the restless, growth-hungry nature of the new-look retailing industry. Tested on the takeover battleground in a bitter struggle with Dixons a year ago, it emerged from the fray in aggressive mood, expanding on all fronts—especially the bottom line. Announcing its results in March, which included a 40 per cent increase in pre-tax profits, the group provided plenty of evidence that it was putting its newly-developed muscle to good use:

- The B & Q do-it-yourself warehouse business is opening new stores at the rate of 30 a year;
- Comet's electrical stores, opening at a similar rate, have been given new management and a style to compare with the successful formula developed by Dixons Group;
- The Woolworth variety chain has been completely revamped and is recovering its role as the group's high street flagship.

This pattern of rapid organic growth and dramatic internal change is common in all the major groups and in all sectors.

The Woolworth policy also encompasses a relatively new strategy which is being developed vigorously throughout the industry. Mr Mulcahy calls it "retail specialism." City wordsmiths prefer "segmentation."

Increasingly, highly-specialised, precisely-targeted retailing concepts are being spun off from the multiple chains. They are either logical extensions of existing businesses, or entirely new ventures which fit in broadly with the parent group's style.

Marks & Spencer has established a chain of furnishing satellites, and is dabbling cautiously with seven stores selling sports equipment—an extrapolation from its leisure wear and ski-ing clothes business. Littlewoods, the privately-owned retail, pools and mail order business, is opening Inside Story shops selling furnishings and household goods.

W. H. Smith is busy with Our Price music shops, extending its Sherratt and Hughes book chain—dealing in products which it knows well. Following the lead set by Toys 'R' Us of the US, Boots has ventured into Children's World, closely followed by Woolworth with Kidstore.

Woolworth is also branching out with new specialities. A chain of car part and service centres, successfully tested in the B&Q chain, is to be built up on the recently-acquired Charlie Browns business. Superdrug drugstores, bought after negotiations with Underwoods broke down, is expected to grow quickly. B&Q Homecentres, selling quality branded furniture out of town, are starting to develop as stand-alone businesses.

New specialist concepts are also gaining ground. Sears has neatly segmented its enormous holdings in shoe retailing, aiming its Dolcis, Roland Cartier and other brands at specific social and age groups. Sears is also following closely the example set by Next, and has targeted specific sectors in the clothing trade for development. Burton, too, is refining its approach with Alias. Next itself is applying its bold, stylish image to accessory shops and home furnishings. Next for Gentlemen is intended for the growing (and ageing) section of the community which may find the original men's shop a little too outre.

Emergent entrepreneurs have developed ultra-refined strategies in the Tie Rack mould, which have thrown up Sock Shops, Knickerboxes, compact disc and watch specialists, filling in tiny but highly profitable niches with tight ranges of products stocked in considerable depth.

The net result of this process is certain to be increasing pressure on the remaining independents. It could end in the virtual domination of every sector of mass-market retailing by a clutch of 20 or so super shopkeepers.

The pattern is already set by the supermarket chains, which are steadily grinding down independents in the food sector. For example, they have increased their share of the fresh vegetables trade from 23 per cent in 1984 to more than 30 per cent now at the expense of the old-fashioned greengrocer.

Stockbrokers Sheppards reports: "The next service you can expect to see disappear from your local high street will be the independent baker. The six major multiples opened 233 in-store bakeries during 1986 alone."

Ironmongers are also under pressure from the DIY superstores. Mr Nigel Whittaker, chairman of the 200-branch B&Q chain, reckons that by 1990 some 60 per cent of the market will be controlled by the multiples.

However, smaller operators are fighting back. The grocery trade, the first to suffer the impact of supermarket-style retailing, has developed a core of resistant independents and small specialist groups. So-called voluntary groups like Spar, which groups some 2,600 retailers and 11 wholesalers, are showing increasing confidence. Many are opening early and closing late, offering the personal service supermarkets cannot match, and selling products like newspapers.

Mr John Irish, chairman and managing director, readily admits that Spar was tainted by the negative image of the run-of-the-mill local shop's small range of low quality goods at high prices.

However, the group is investing in training, spreading merchandising skills, and offering incentives to owners who open late and adopt the group's new standards—about 100 a year are ejected from the group. To those who suggest that process is slow, he retorts that it took Tesco six years to win a position and esteem comparable with Sainsbury's.

Mr Irish presents Spar as the biggest and most successful of the convenience operations. The convenience shop is an idea imported from the US which has yet to find its true form in the British market. Others, like W. H. Cullen, formerly an old-fashioned up-market grocery business, are seeking specialist niches in the dormitory territories in and around London.

Most intriguing is the recent decisive move into the UK by Circle K of the US, one of the biggest convenience store specialists in the world. Buying the 84 shops in the Sperring chain gave it a firm base, which, the company says, could be expanded to 500 outlets over the next five years.

However, there are suspicions that this base is already being eroded. Many supermarkets already open early and close at around 9pm, and the inevitable

Continued on page 6

Home shopping

Some prefer it out in the cold

RETAILER of the year, Mr Gerald Ratner, has a clear view of the British shopper's environmental preferences. "People like to be shoved around," he said recently.

A strong supporter of the high street—as well he might be with almost 1,000 jewellery outlets trading at record levels—he believes consumers enjoy the jostling bustle of Saturday shopping.

However, the boom in spacious, one-stop, out-of-town superstores suggests that some prefer a more leisurely pace, and there is a growing belief that many would prefer to do their shopping without leaving the fireside.

Mail order, for example, is regaining favour after a slack spell in the early 80s. Littlewoods has already nudged the business into the electronic age by introducing telephone ordering.

More recently it has stepped up its involvement in home shopping with ShopTV which uses the TV set, courtesy of British Telecom's Prestel service, as a display and information medium.

Prestel has offered teleshopping facilities since 1978, but success has been limited because most of its subscribers are business concerns.

New companies are springing up regularly to try their hand in exploiting the capacity offered by cable television and satellite broadcasting.

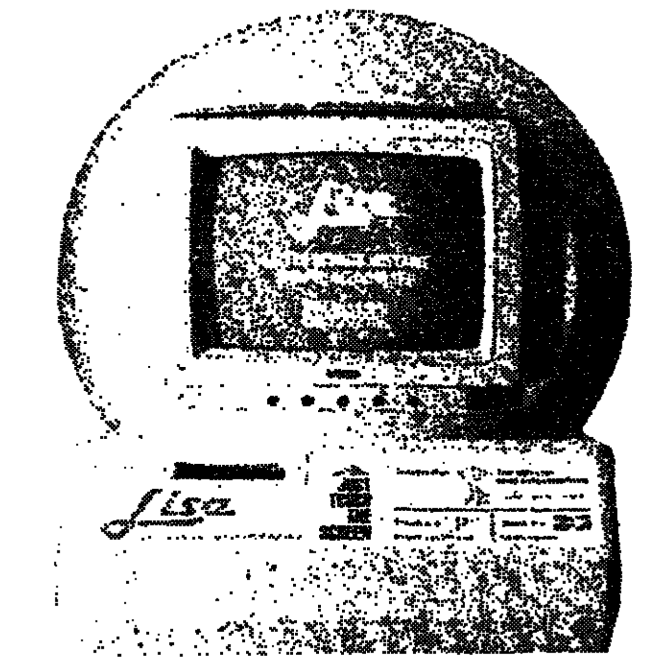
They seem undeterred by the slow progress of cabling companies, which have so far connected only about 200,000 households in the UK.

One of the latest, Space-Shopping, proposes offering a regular programme across Europe in which the sales spiel for goods ranging from door knockers to tennis racquets, is interspersed with chat-show interludes.

The convenience of the technique is appealing—the viewer looks, listens, phones, recites a credit card number, and takes prompt delivery.

The durability of the approach is less certain. In the US, the most heavily cabled country in the world, a recent surge in the popularity of sales-cum-chat has been followed by a rapid tailing off and consolidation among the companies concerned.

There are many reasons for the stop-start nature of UK ventures so far, and prominent among them are extrapolations on Mr Ratner's theory that people enjoy the hurly burly of traditional shopping.



A precursor to home shopping? Littlewoods' Shopping Adviser

According to a recent study by Ogilvy and Mather, the advertising agency, the use of Prestel and similar links for buying theatre tickets, booking hotels and purchasing other services can be expected to grow.

Travel agents—already heavily computerised and largely dependent on Prestel links—can also be expected to plug in increasingly.

However, the report says, home shopping for goods presents some difficulties. "Shopping for non-essentials is becoming a leisure activity in its own right, and is likely to continue to be so," the report says.

Since items like clothing need to be tried for size, match and style, first-hand shopping is likely to remain the norm for most people.

Joint author of the report, Mr Alan Wolfe, suggests consumer durables may offer more promise. The most important factors determining the purchase of a washing machine, for example, can be adequately described on screen.

Some manufacturers, besieged by retailers' demands for ever bigger orders and ever lower prices, are known to be investigating the possibility of going over the shopkeepers' heads and offering direct supplies of their products through the TV or interactive video stands in shopping malls.

But established retailers themselves seem most likely to make the pace. As Mr Wolfe says, once their stores are computerised, it would be relatively easy and cheap to offer home-shopping.

Customers would pay for the convenience through higher prices, while costs per sale need not be higher than in the shop—particularly if the shoppers proved willing briefly to brave the crush and collect their basket of groceries or new hi-fi themselves.

Christopher Parkes

There's a growing belief that many would prefer fireside shopping

Debit cards

Retailers play a good hand

"CONNECT," which was almost a term of abuse in retailing circles only a few weeks ago, is now the symbol of the bright future of electronic cashless shopping from which retailers stand to gain much.

Connect is the name of Barclays Bank's new debit card, the first in a generation of cards which pave the way for cashless shopping. The lead-up to its launch on June 3 was surrounded with much controversy.

Connect looks like an ordinary credit card, but the difference is that purchases made with it will be debited directly to customer's current account—after two or three days, in the same way as a cheque. With credit cards, cardholders get a bill at the end of the month and a short period of interest-free credit. They pay interest on whatever amount they then fail to pay.

Retailers were originally furious about Connect, because Barclays had chosen to launch it under the Visa brand name and was saying that they would have to pay the same charges as they pay for credit cards. At about 2 per cent of the value of each transaction, these charges are considerably higher than the 10p retailers pay for each cheque transaction.

Since debit cards are designed to replace cheques, retailers felt that they should be paying a similar flat fee. They were also angered by Barclays' threat to expel them from the Visa network if they refused to accept Connect.

Looking to the future, they saw the proposed charging structure for Connect as a dangerous precedent. If they lost this battle with Barclays, they felt that other banks would enforce similarly high percentage fees and the battle over who gained most out of electronic cashless shopping would be lost.

Not surprisingly, they kicked up a tremendous fuss. They threatened to report Barclays to the Office of Fair Trading for abusing its monopoly position in credit cards and persuaded the National Consumers Council to support their viewpoint.

Connect, from Barclays, is the first in a generation of cards which pave the way for cashless shopping

As a result, on May 27 Barclays backed down. It agreed that there would be a flat fee for Connect, not a percentage one; that the flat fee would be in line with the present cheque costs; that retailers who had originally boycotted Connect would not be charged higher rates; and that in negotiating charges with individual retailers it would not use the threat of expulsion from Visa.

Barclays, however, has still held on to its principle that anybody accepting Visa cards is bound by Visa's rules to accept Connect. What this means in practice has yet to be seen. It is also possible that the OFT will conduct a special probe into the practice of tying acceptance of Connect to acceptance of Visa, as it has threatened in a letter to Barclays.

But, for retailers, the most important victory may be the precedents they have set for negotiations on future payment systems: a flat fee charge on any future debit cards or other cards designed to replace cheques and the free negotiation of charges.

The negotiating position of retailers has been considerably strengthened. At the beginning of the whole saga it looked as though Barclays would set a precedent; at the end, the retailers have set the precedent. They hope other banks will find it difficult not to negotiate on the same lines.

While the battle over Connect has been raging, a few more tentative steps have been taken towards setting up a nationwide cashless shopping scheme under Eftpos Ltd, the embryonic clearing system owned by the main clearing banks.

Towards the end of last year, Eftpos finally agreed on the broad outlines for a future nationwide system. This will consist of two phases.

In the first phase, to get under way some time in late 1988, all the banks will co-operate on a uniform scheme in three cities. After that, they will be free to choose to continue with the uniform scheme or go their own way provided their cards and terminals can link into the national scheme.

This plan of action is said to have considerable advantages over the previous plan, which would have forced banks to have a uniform scheme in both phases. It allows banks to compete among one another and also gives greater flexibility in tailoring systems and services to individual retailers' needs.

Much work, however, has still to be done. The precise specifications of the system have yet to be worked out and before they are, banks will not know whether their individual cashless shopping schemes (of which Connect is the most obvious) will be able to link into the system or whether they will need to be adapted.

Most important, the commercial structure of Eftpos is still far from certain.

The outline of the structure, though, is likely to be as follows. Each retailer will pay Eftpos the same charge every time an Eftpos card is used to make payments, regardless of who has issued the card, although the charges may well differ from one retailer to another. Banks and other card issuers will then work out a revenue-sharing arrangement based on the frequency of use of the system by their cardholders.

On top of this basic structure, however, there will be the opportunity for the Eftpos system to take non-Eftpos cards. For example, credit cards such as Access, charge cards like American Express, or even debit cards like Connect, could be used in the system even if they did not carry the Eftpos brand name, provided they fitted the Eftpos specifications.

In that case, the card-issuers would first have to negotiate with Eftpos the cost for using its system. They would also have to negotiate charges with retailers. There is no reason why these charges should be the same as the charges on Eftpos cards.

Hugo Dixon

Electronic point of sale systems, known as Epos, will improve management information and control, **reports Alan Cane**

Computerising cash tills

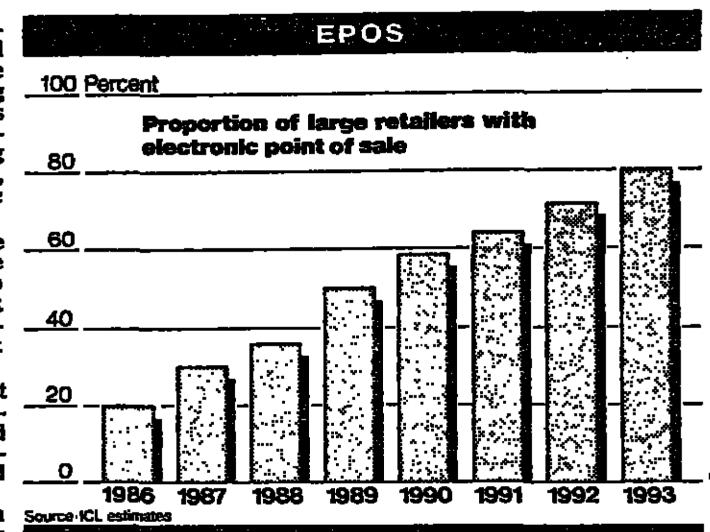
WHILE THE glamour and controversies which surround Eftpos hog the headlines, the major retailers are pressing ahead with technology which is less advanced but which promises better returns in the long run — computerised cash tills, otherwise known as electronic point of sale systems, or Epos.

Despite the similarity in the acronyms, Eftpos and Epos have little in common. Eftpos is to do with payments, Epos is all about management information — stock control, cash management and product marketing.

While retailers can mount arguments about the desirability of Eftpos, none of them could argue against improved management information and control.

So it is no surprise that a recent survey by ICL, Britain's major computer manufacturer and a leading supplier of Epos equipment, suggested that the number of computerised cash tills would rise sixfold over the next seven years in the UK alone.

Only 58,000 have so far been installed, about 20 per cent of Britain's points of sale in leading retail outlets, the survey said. It went on to predict the number would rise to 410,000 by 1993.



Computerised tills are able to store precise records of all transactions at the point of sale and transmit them automatically to a retailer's main computer centre where they can be analysed rapidly by specialised software.

Even a single Epos system can provide a small retailer with valuable stock and marketing information. It is at its most useful however, in a large organisation carrying many product lines and which is spread out geographically.

Wimpy International, for example, has been using Epos in the UK since 1978 to co-ordinate its fast food counter service operations. Mr Keith Hawkins, its operations development manager, told a recent retailing conference that the company would not open a counter service facility without having an Epos system installed.

Dr Liz Mandeville, a researcher with the Retail Management Development Programme, told the same conference that her own surveys showed that most retailers had few problems with Epos and benefited greatly from its introduction: "The likelihood is that the next few years will see not only a widening but a deepening of the impact of Epos in large companies."

The computerisation of retail operations opens the door to a whole array of technological options. There is considerable interest in speeding up the flow of supermarket check-out queues through the use of scanning equipment able to read information printed as a bar code into the product packaging.

The reason for this renewed interest is a substantial improvement in the quality of the scanning systems and a big increase in the number of products which carry bar-coded information. Organisations like B&Q and Boots reckon that over 75 per cent of all their products are now coded.

Scanning takes many forms, from slot scanners and light pens to laser guns. The advent of laser scanning, in particular, has raised the accuracy of the procedure to acceptable levels.

The importance of scanning is that, in no extra time, all manner of useful commercial information can be captured and stored in the computer system ready for analysis.

In an "integrated store of the future" the computer software analyses the returns from the company's check-out points and compares it with goods in stock. It draws up, automatically, a proposed order for each branch which is then checked and amended by a senior manager.

The manager may use an expert system to help with this task. This is a piece of computer software which stores the combined expertise of a number of managers and provides apparently reasoned answers to queries. The system will know, for example, that certain kinds of food will be in demand in certain areas of the country at particular times—the Indian and Chinese New Years, for example.

Orders to suppliers would be transmitted electronically using Electronic Data Interchange (EDI) over a Value Added Network (VAN). The essence of EDI is agreed standards of operation: messages sent from, say, a retailer, are received, understood and acted upon by a supplier without doubt or hesitation.

The message from the store reaches the manufacturer where it is processed, again automatically, by the manufacturer's computer, which has on file up-to-date stock levels. Confirmations or amendments are generated and transmitted back to the retailer. This electronic ping-pong goes on until both sides are satisfied.

The despatch day is confirmed, goods moved automatically to the delivery vehicle and are then sent off. The driver's journey will have been set up using routing software which will probably make use of an expert system ("never go through Burnt Norton on market days. It will delay you for three hours").

The goods arrive and are checked using a hand-held laser gun to scan the codes on the outside of the packages. Notes of confirmation fly back to the manufacturer over the telephone lines and the circle begins all over again.

The individual elements of this idealised picture are all being used in stores somewhere. Over the next few years, these islands of retailing automation will gradually join up to give a fully-integrated system.

What of automation for the customer? Is there a future for teleshopping where all that is needed to select and buy a sofa or the week's groceries is a television set and a keyboard?

The US is already well advanced with a number of trials based on technologies ranging from videotex (similar to the UK's Prestel, Ceefax and Oracle services) to cable television and telephone-based services.

So far the response from customers to most of these innovations has been lukewarm: "Few consumers wake up in the middle of the night in a cold sweat indicating a strong need for an electronic retailing service," observes Dr Wayne Talarzyk, Professor of Marketing at Ohio State University.

Like Eftpos, however, such services will make their mark. Progress, though, will be through evolution rather than revolution. The customer always knows best.

Out of town

Avoiding an empty heart

PROPERTY DEVELOPER John Hall is the apostle of the out-of-town shopping centre, the man who turned derelict land in the unlikely Gateshead area into the biggest shopping complex in the country. He is the man whose speech is punctuated by comments on changing lifestyles, the need to change shopping habits.

The MetroCentre at Gateshead is doing just that, he claims. For him MetroCentre is a symptom of renewal. He believes that retailing can be the catalyst for the reclamation of derelict land, for promoting employment where there are large numbers of jobless. MetroCentre, he has claimed, has mopped up unemployment south of the Tyne.

Using the tax concessions available in enterprise zones has helped him attract top major retailing chains. The same phenomenon has happened at Dudley outside Birmingham where Richardson Development has created the Merry Hill shopping complex.

Despite the fact that both these centres are in areas outside the boom region of the south-east, they have started with a high degree of regional consumer interest. This points to the wider phenomenon which has repeatedly been pointed up by analysts—the spread of out-of-town shopping is an inevitable consequence of higher disposable incomes and the retail boom.

But it is not as easy as that. The more the interest in out-of-town shopping has grown, the more anguished has become the debate about its effect on inner cities. Is it wise to permit unbridled expansion of retail facilities out of town when the thrust of social policy is to regenerate the inner cities? More crudely, what happens to the in-town property values, what happens to the in-town trade, if huge complexes sprout out-of-town?

Among the major store groups, Marks & Spencer plays the game both ways. It has stores in Eldon Square, Newcastle and in central Bristol, but this has not stopped it taking part in MetroCentre nor in joining hands with Prudential Assurance for the Cribbs Causeway development in north Avon.

In recent weeks, both Tesco and John Lewis Partnership have come out against encouragement of major out-of-town complexes. Mr Stuart Hampson, John Lewis director of research and expansion, argued that the issue was not one of retail competition. He noted the presence of companies with no prior experience of retailing among the developers. The issue, he said, was one of land use and therefore it required political direction.

The political direction is less than clear on the broad terms of the argument. Mr William Waldegrave, Environment Minister, noted last October that "it is not for land use planning to dictate that any particular kind of development, or any particular kind of retailing, is a Good Thing or a Bad Thing in itself."

Here then is a commercially neutral planning policy, which is developed in two ways. First, planning should be used to generate development. Second, development must not be in the Green Belt.

Thus, the Government last December told local authorities that any shopping scheme over 250,000 sq ft must be referred to the Department of the Environment. That is a check on out-of-town schemes.

But out-of-town schemes have been permitted to take place in enterprise zones—Hall's Metrocentre, and Richardson Developments' centre at Merry Hill, Dudley, for example. It is here that development clashes with commercial neutrality, because of the tax concessions and rates holidays that are associated with the zones. For Newcastle city centre retailers, MetroCentre is not fair competition.

The argument at this stage is based on fear, however, rather than experience. It is too early to judge whether the UK is inevitably going down the American route where some cities have an empty heart surrounded by economically burgeoning suburbs—the "hole in the doughnut" phenomenon.

But there is sufficient experience to know that the planners are under pressure, especially in the old metropolitan areas, where the former planning authority has been swept away and power handed down to the boroughs. This has forced borough councils in Manchester and the West Midlands to group together in an effort to devise a shopping strategy which recognises that there is a demand for out-of-town centres and, at the same time, safeguards the vitality of the main urban centres.

It is the sheer number of planning applications for new major centres that provides the pressure. And the applications show that the retailing boom is nationwide. Edinburgh and Glasgow, West Yorkshire, Teesside, around the London ring, Southampton, Exeter, as well as those in Avon, Manchester and the West Midlands—all are caught in the retail dilemma.

Southampton County Council has given some idea of the scale of the development demand. "In South Hampshire alone there are currently 15 applications under consideration for out-of-town shopping centres which together total in excess of 3.5m sq ft. To put this figure in context, Southampton city centre currently has 1.5m of retail," the Council said.

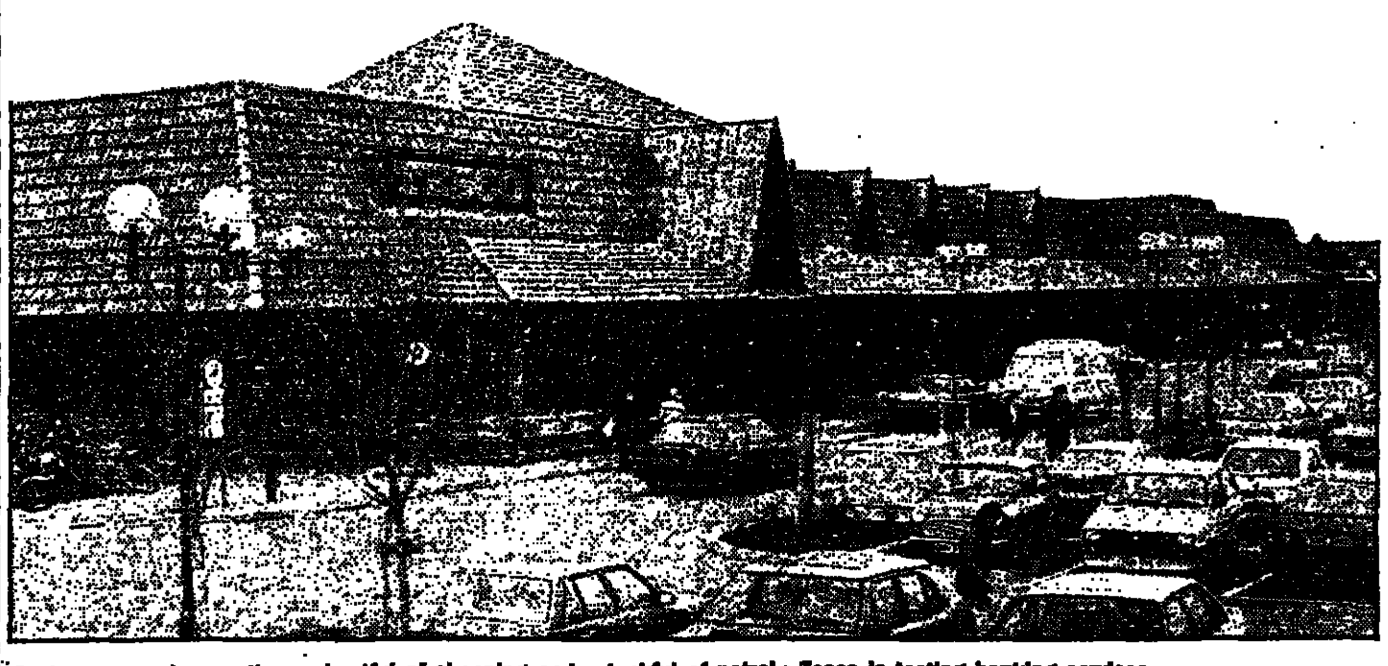
The speed of development is quickening. Last year the number of new shopping centres completed rose sharply after falling for several years. Hillier Parker, the chartered surveyors, noted that the total floorspace involved was 4.6m sq ft, compared with 2.3m sq ft in 1985. But of that 1986 total about half came in out-of-town centres.

There is more to come. At the end of last March, Hillier Parker calculated 14.89m square feet of shopping space was under construction up and down the country. Of that just under half is on out-of-town sites. A further 28.81m square feet had planning consent to go ahead and of that about half would be out-of-town. But well over half the number of planning applications for new shopping space—some 52m square feet in all—are for out-of-town centres of more than 50,000 square feet each.

So, although there is a stream of out-of-town shopping schemes in the pipeline, many of them are at a vague planning stage. A large number will not be constructed, either because there will not be planning permission or because the developer will change plans. Indeed, the avalanche of proposals for new out-of-town schemes has perceptibly slowed this year.

This helps give some perspective to the inner-outer town argument. There is a continual search among developers for town centre schemes and it is the one sector of the property industry, outside the City of London office arena, where there is no shortage of institutional funds.

Paul Cheeseright



Customers want more than a bootful of shopping and a tankful of petrol : Tesco is testing banking services

Supermarkets

Majors fight for sheer bulk

THE PATTERN for the future structure of food retailing in Britain is well-established. Multiple supermarket companies' market share will probably have advanced a further 10 points to 80 per cent by the mid 1990s. That will leave independents with some 12 per cent, compared with 17 per cent last year, and the co-ops struggling with about 8 per cent, as against 12 per cent in 1986.

Although there may be some further shuffling of market share figures among the majors, there is broad consensus that 80 per cent is saturation point for the supermarkets. The big operators at present lack the manoeuvrability completely to crush the independent sector.

A new study from Manchester Business School suggests that 1996 may mark the end of the small shop's decline. "Many stores, especially corner shops, are in isolated locations and so can always provide 'top-up' service, particularly where opening hours are extended."

The prospects for the co-ops seem less hopeful. There are still more than 100 individual societies, despite regular declarations that the movement is committed to rationalising and boiling the number down to 25.

"Unless and until they can centralise their operations and assume a definite role and identity, they will always be at a disadvantage to the multiples and liable to further erosion of their market share," the Manchester study says.

However, the survival or at least the continued independence of many smaller, regional multiple chains, is conditioned by similar constraints. The top five companies in the elite multiples sector—J Sainsbury, Tesco, Dee, Asda and Argyll—last year had 52 per cent of the grocery market compared with only 38 per cent two years before.

As Tesco's recent absorption of Hillards illustrates, this concentration of power is likely to continue, further enhancing the buying power and efficiency of the leading group and increasing the pressure on smaller fry. Stockbroker L Messel's latest sector review says starkly: "A very distinctive and determined format will prove essential for the remaining smaller (multiple) operators to survive".

Hillards matched these criteria in some style, and yet it still succumbed. It had strong links with its Yorkshire customer base, sponsoring community and charity events; it was the first supermarket chain in the UK to introduce its own credit card; it was a pioneer in fresh foods; and it installed special health food departments, as well as lavatories and restaurants.

It had some bad luck—the miners' strike, for example—but it had been slow to innovate and had no real answer to mounting competition from invading superstore operators like Asda. A dozen supermarkets competing directly with Hillards opened nearby last year, volume sales fell... and Tesco waved its chequebook.

Physical infiltration of their local strongholds by the Sainsburys and Tescos is only the first of the trials facing regional multiples. The bigger and richer the chain, the more likely it is to be able to assemble all the "tools" to improve profitability and sharpen competitive edge.

A Manchester Business School survey among market leaders shows that buying power and price—once prime considerations—have been relegated to the bottom of the list of factors affecting profitability.

Equal first come branch computer systems and Epos (electronic point of sale) installations to improve stock control and management information. Next comes distribution efficiency, exemplified by Tesco's recent decision to focus its national distribution of fresh and frozen foods on six 250,000 sq ft warehouse centres. When these centres are complete, the chain will have just 14 procurement points handling 90 per cent of its merchandise.

In fourth position comes the introduction of value-added merchandise: including the type of products put through Tesco's latest distribution system. Sales of foods with some element of "convenience" are growing relatively rapidly, by about 7 per cent a year.

Pre-packed, part-prepared vegetables, skinned chicken breasts, fresh pizzas and similar produce are making rapid inroads into supermarket space, displacing packaged groceries and slow-moving, lower margin items.

But the main battle between the majors is still being fought over market share, with the emphasis on sheer bulk. The multiples are progressively closing smaller outlets and building ever-larger stores in carefully selected areas.

According to Messel's, the 11 leading multiple chains had 31.5m sq ft of selling space spread over stores averaging 8,820 sq ft each in 1984/85. By the end of this year, the broker says, total space will have risen to some 44m sq ft, with the average store containing 11,270 sq ft. It calculates that the leaders will add a further 2.8m sq ft of space for a net increase of 95 in the number of stores.

In the last few weeks two leading players have defined clearly their plans for the future. Argyle declared a target of 350 Safeway stores by 1990. New store opening rate is to be more than doubled to 20-25 a year in a programme running parallel with the conversion of some 160 large Presto stores to the more prestigious Safeway format. New openings will average some 40,000-45,000 sq ft.

Asda, with 33 new stores "in the development pipeline" in London and the south, and 20 existing outlets being revamped, is also focusing on the development of superstores of some 45,000 sq ft each. Most of Sainsbury's and Dee Corporation's new openings also fall into this category.

According to the Institute of Grocery Distribution, the food retailers' main representative body, 36 superstores of 25,000 sq ft and over were opened last year, compared with 24 in 1985. Market researchers at the Unit for Retail Planning Information suggest development will accelerate this year. At January 1, there were 87 superstores with planning permission compared with 67 at the start of 1986.

As last year, when some 35 per cent of new openings were concentrated in the south-east, most of the expansion in 1987 is expected to take place around London. The abolition of metropolitan councils, including the GLC, appears to have resulted in relaxation of planning rules. The completion of the M25 round-London link is also encouraging growth.

At present there are about 430 of these superstore outlets in the UK. Although they account for only 9 per cent of the total number of multiple groups' outlets, they contain some 47 per cent of their total grocery space. Recent analyses suggest the market will be saturated when numbers reach about 650.

With land costs alone already standing at some £2m an acre, the multiples are having to refine their management skills to pinpoint the precise sites and develop the best merchandising and marketing mix. This is not an area where outlets can be "re-sited" after openings.

The customers have to be attracted at the outset and charmed into returning regularly. The formula is still under development, but at present the average superstore devotes about 36 per cent of its space to non-foods which offer high margins such as DIY, electricals, textiles, toys and gardening products.

However, the customers want more from the superstore than a bootful of shopping and a tankful of petrol. Safeway has been opening pharmacies. Tesco is testing banking services. Others are trying restaurants, creches, postal services and financial services.

Christopher Parkes

Customers can browse happily among the building supplies and then go for a coffee

Do-it-yourself

A whole family affair

DO-IT-YOURSELF is an ill-defined business. A visitor to one of the looming sheds on the edge of town might be forgiven for assuming from the goods on display that it involves activities which range from building a folly in the backyard to changing the bed linen.

This blurring is reflected in market researchers' and brokers' analyst studies, which put the value of the trade at anything between £2.5bn and £4bn a year. It arises from the merchandising tactics of the leading players, which are directed at attracting whole families rather than the person attending to the job in hand.

According to Mr John Jarvis, who runs the Texas Homecare stores, along with the hotels and holidays businesses at Ladbroke's, more than 60 per cent of visits to his stores are made by couples and their children.

The reason, to judge from research by Taylor Nelson, is that women play the dominant role in planning home improvements, while the men tend to be landed with the chore of carrying them out.

Home improvements, in turn, are occupying an increasing amount of family time. A recent review of the business by Polycell, the Reed International subsidiary, says DIY is now the second most popular leisure activity in Britain . . . after watching television.

The company paints a rosy picture of the sector, pointing to strong growth over the past few years in items such as paint, wallcoverings, tiles and furniture. However, Polycell's cheery demeanour belies the condition of the company itself. Along with Crown Paints, it has been put up for sale by its parent group.

The company has suffered, in common with many other established brand suppliers, from the rapid inroads into the DIY retail market by leading multiples like Texas, Woolworth's B&Q business, W. H. Smith's Do It All and Sainsbury's Homebase.

A large part of the market for branded fillers and adhesives has been captured by the retailers' own-label packs. The multiples have applied basic supermarket principles to their operations, and suppliers and the competition have suffered.

Ten years ago there were only 30-odd DIY superstores scattered around the country. There are now 600, and the number is growing quickly. B&Q, the out-of-town market leader with 200 stores, plans to open 29 new outlets this year and relocate a further 11. Mr Jarvis claims Texas is opening one new store every 10 days to increase its current tally of around 150.

Mr Nigel Whittaker, chairman of B&Q, projects that by 1990 superstores will control 60 per cent of the market, which will then be worth some £4.9bn. Naturally, he claims, a large proportion of that will tinkle through B&Q checkouts.

All of it will probably be diverted from the tills of traditional ironmongers and hardware shops, which are already feeling the pinch. Last year, for example, turnover in DIY specialist retailers increased 21 per cent, according to the Economist Intelligence Unit. Sales in hardware stores rose 6 per cent. An indication of the effects can be gathered from the latest Business Monitor figures which registered the disappearance from the high street of some 10,000 household goods shops and about 3,000 hardware stores between 1982 and 1984.

While the specialist DIY retailing sector is growing rapidly, there is some concern among industry watchers that the market for its offerings is slackening. The 1986 Euromonitor review of the trade said the market had grown only marginally and that future growth would be hard to come by. DIY was failing to take a consistently higher share of overall spending on home improvements.

Manufacturers have responded by marketing "job packages"—shelving kits which include everything needed, home security outfits, even DIY double glazing. Major retailers have also joined in. Texas, for example, offers a complete bathroom kit, including bath, basin, lavatory, taps and easy-to-fit plastic plumbing for about £130.

But their main response has been to spread themselves beyond the relatively narrow confines of the specialist DIY market and into home improvement. Mr Jarvis talks of "leisure shoppers" at the Texas stores where the family can browse happily among bags of sand, drill bits, duvet covers, and mini Ideal Home exhibitions, snacking in the cafe and co-ordinating their wallpaper and soft furnishings.

From selling flat-pack kitchen units, Mr Jarvis sees a logical progression into stocking hobs, microwave ovens and-extractor hoods to go with them.

Market leader B&Q has adopted different tactics, and is spawning subsidiary retailing businesses almost as quickly as the parent chain spreads across the country. Experimental car parts and service centres, tested on B&Q sites, are set to open apace under the banner of the Charlie Browns autocentre business bought earlier this year. Mr Whittaker aims to repeat the success of the DIY business in car care, and build to a chain of 200 Charlie Browns by 1992. The market is currently worth some £5bn a year. Like the DIY trade before the multiples arrived, it is highly fragmented, with no single operator commanding more than 5 per cent of sales.

B&Q Homecentre branded furniture stores are also set to break away—probably under a new name. The biggest operators in this market, Harris Queensway and MFI/Allied have only about 10 per cent market share each.

Mr Whittaker aims to win market share by holding full stocks of quality furniture and thus break the usual pattern of buyers having to wait weeks or months for a new dining room suite.

Back in the core DIY business, B&Q is consolidating as quickly as it expands. Old stores are being revamped and resited. For the future, great efforts are being made to find the right site first time. "It is important that the retailer makes a thorough analysis of available sites," he says.

Some towns and local markets are already saturated with DIY outlets, and "a cataclysmic collision" can occur when two operators try to open up in the same area. However, the independents' market share still offers pickings rich enough for the multiples without their tackling one another head-on.

"I don't think war will break out until 1990 at least," Mr Whittaker says.

Christopher Parkes

Children

Shops toy with US approach

Toys 'R' Us: the British operation plans five more stores by the autumn

THE BIRTHRATE graph has been flat for years in Britain, apart from the odd blip here and there. The UK toy manufacturing industry is dying on its feet. And yet the retailing industry is suddenly awash with new concepts and "revolutionary" ideas for developing the children's market.

Mothercare, part of the Storehouse group, was the only national chain for the best part of 25 years before the notion of specialising in children took a hold.

Now Ward White is expanding its Zodiac toy business with a will. Hamley's, billed as the most famous toy shop in the world, is spreading under the Harris Queensway umbrella. Adams, part of the Sears group, has ambitious growth plans. Toys 'R' Us has invaded from the US with stack 'em high, sell 'em cheap superstores. Woolworth's plans up to 100 Kidstores and even old Boots, the variegated chemist, is joining in cautiously with a chain of 30 or 40 Children's Worlds.

The style and product mix of these stores vary, but the target is the same: the young mother/couple-cum-kids on a one-stop shopping trip for nappies, shoes, a bike and a game of blow football.

The inspiration appears to come, as do so many basic retailing ideas, from the US, where Toys 'R' Us has built a £2.5bn international business and is currently looking forward to improved prosperity as the new generation of baby boomers produces a fresh wave of customers.

Despite much muttering behind City hands, the warehouse-style stores of the US company appear to be producing results in the UK. Mr David Rurka, managing director of the British operation, says a further five outlets will be added to the existing chain of eight this autumn in Swansea, Newcastle, Northampton, Rochester and Stevenage. The parent also intends to branch out into West Germany later this year.

Beyond that, he says little on either sales or profits. However, the experience of the group as a whole suggests that one of the children's retailers' main aims—strong sales all-year-round—is difficult to achieve. Some 50 per cent of the group sales are still in the final quarter.

Perhaps to help ease this congestion, the US operation has recently diversified into Kids "R" Us, that specialise in clothes, and department stores offering the whole range in depth.

Analysts suggest that Mr Rurka may be obliged to adjust his product mix—currently about 80 per cent toys—if he is to spread sales more evenly through the year.

As might be expected, the arrival of the newcomers has increased the pressure on the traditional retailing sector. Many department stores have reduced their toy departments outside the Christmas season and reinforced their clothes displays. Independent toy shops, on the other hand, are going to the wall, unable to compete with the price advantages bulk-buying gives the multiples.

Mothercare, the daddy of them all, is also having to respond. With almost 500 outlets, it is established in every major centre. Its reaction to competition was hampered last year by troubles with new distribution arrangements and the introduction of electronic point of sale systems.

However, ranges are being extended to cover older age groups. Vacant niches are being filled with videos, sports equipment and health care. In-store space freed by new warehousing will allow it to introduce the creches and cafes which feature in the competition's shops.

A formula similar to Mothercare's is rapidly being developed in the Adams chain, which fell into Sears Holding's hands in 1985 when it purchased Foster Brothers. Since then it has been expanded from 70 stores to 110 and a further 30 are due to open in the next two years. Trading space will have doubled by 1988-89 to some 220,000 sq ft.

Boots is following the middle route between the brash Toys 'R' Us and the original Mothercare, catering for 0-10 year olds in large edge-of-town, shopper-friendly outlets. It plans to open four by the end of the year. Toys will take up some 25-30 per cent of the space, clothing 40 per cent, and baby goods most of the balance. Wide aisles for pushchairs, cafes, shoe shops, hairdressers and branded fashion boutiques such as Benetton and Dash have been included to add to the appeal.

The company says the development is a natural progression from the clothing and baby goods business it has developed in its 1000-plus high street chemists outlets.

Kidstore, the Woolworth's contribution, is a natural extrapolation from it variety store chain which has recently benefited from a drastic range shake-out, code-named Operation Focus, but which is still one of the leading toy retailers in the country.

It is also very much an experiment, part of a long-range project to wring profits from old Woolworth branches which have lost their wonder.

Mr Malcolm Parkinson, chief executive of F.W. Woolworth, cuts across the Boots and Toys 'R' Us store sites approach. He claims the future of the children's market lies in the high street, since the only transport to which 60 per cent of the country's shoppers have access during the week is a push chair or a shopping trolley.

In the first store, just opened in Ealing, west London, 50 per cent of the space is given to clothing and footwear, 25 per cent to toys, and the rest to books, confectionery, stationery and entertainment.

Like the other entrants, Mr Parkinson has heard the distant echoes of the transatlantic baby boom. The 1960s blip in the UK birthrate is about ready to disgorge a fresh surge of young Britons into the aisles of the specialist children's retail market.

When that wave is past, the graph is expected to subside to its historically flat or declining profile. Then, perhaps, the retail industry may at last turn its attention to the difficult but growing market among the "greys", as demographers are coming to call the older citizenry.

More than 20 per cent of the population is already over 60, and Grannycare has still to open its first store.

Christopher Parkes

Mail order

Turning over a new leaf

MAIL ORDER was one of the most dynamic growth sectors of retailing in the 1970s. But its performance has been disappointing in the 1980s—until now.

After years when the mail order business seemed to have lost its way, the major operators have not only significantly improved their operating performance but also moved with the times to embrace the first tentative moves in the UK towards the much-heralded electronic home shopping boom.

Littlewoods, for example, has started a small home shopping experiment via the Prestel Viewdata service but is rather coy about how many subscribers it has.

Home shopping by television is only one of the many changes in mail order in recent years. While traditional catalogue mail order—which will account for sales of about £3.5bn this year—is still the dominant feature of the industry, it has been joined by other forms of shopping by post.

The direct response advertisements in the Sunday colour supplements, for example, have emerged as a small, although significant, segment of the market. This has itself developed into small specialist catalogues aimed at the "yuppy" consumers who buy exercise bicycles and silk shirts "off the page" from magazine advertisements.

Moreover, direct mail and telephone marketing are two other techniques used to reach consumers at home to sell them everything from life insurance to a new car.

Traditional catalogue mail order, however, grew into prominence as a retail system in the 1960s and 1970s and largely developed as a northern UK phenomenon among the lower socio-economic classes.

It offered the opportunity not only for agents to earn extra income through commission but also offered credit facilities to customers who had little other access to easy payment schemes.

Although the demographic and geographic profile of mail order spread during the 1970s—into southern England and up the social scale—it was the northern-based customers who were most badly hit by the recession of the early 1980s and who therefore cut back on their catalogue spending.

But mail order also came under pressure from the radical changes that were taking place in retailing in general in the early 1980s.

The recession and the slowdown in the inflation rate meant that retailers were less able to cover their operating inefficiencies by a hike in prices. Mail order companies had been no different from other retailers in hiding their poor productivity with price rises.

When such a solution was no longer feasible, it cruelly exposed the problems of mail order companies—problems that have taken years to sort out.

But mail order also fell victim to the regeneration of the high street by such retail entrepreneurs as Sir Terence Conran and Sir Ralph Halpern. They not only identified the needs of consumers and met them but also created an attractive and exciting retail environment in which to shop.

Perhaps the biggest change facing mail order, however, was the greater accessibility of credit for many consumers from the stores themselves and the credit card companies. No longer did mail order have the advantage of being the only source of credit for many shoppers.

The consequence between 1980 and 1985, therefore, was for mail order's share of total retail sales to slip from 4 per cent to 3.4 per cent.

The largest mail order company in the UK is Great Universal Stores, a company that has traditionally kept a low profile in spite of its retailing success.

GUS's market share, according to estimates made by the Economist Intelligence Unit, is some 41 per cent—followed by Littlewoods with 31 per cent and Freemans with 13 per cent.

GUS operates through a number of brand names—such as John England, Marshall Ward, and Kays. Total group sales for the year ending 31 March 1986 were £2.3bn and pre-tax profits were £297.7m.

Over the past few years significant sums have been invested in new warehouses, plant and computerisation to enable GUS to maintain its leading position—even without the failure of its attempt to take over the rival Empire stores operation after a Monopolies and Mergers Commission inquiry.

One of the most interesting developments involving GUS centres on its relationship with Sir Philip Harris, chairman of Harris Queensway. Following a complicated deal last year, GUS has a 23 per cent stake in Harris Queensway while Sir Philip has a seat on the GUS board and is the City favourite to become a major force in GUS's development in the 1990s.

Littlewoods, which has other activities that include high street chain stores and football pools, produced trading profits of £43.9m from its mail order activities in the year ending December 31, 1986. Turnover last year from mail order was £779m.

Littlewoods points out that it receives some 15.5m telephone calls each year from its agents and some 90 per cent of its customers receive their goods from Littlewoods' own home delivery service. (The postal strikes of the early 1970s prompted the mail order companies to find their own means of delivery.)

Although Littlewoods operates mainly through its 1,000-page agency catalogues, it also sees a trend towards smaller specialist catalogues and is currently launching smaller, more closely-targeted catalogues aimed at particular consumer groups.

It is also developing high street retail operations called Catalogue Shops which — like the Argos stores operation — sell household goods from a catalogue available at home and in the shop rather than from an in-store display.

The most significent structural development in the industry over the past year has been the £300m merger between the Next group and the Grattan mail order company. Next's aim is to offer some of its stylish clothes for men and women through catalogues for those unable to reach its high street shops.

Potentially the most exciting development is Marks & Spencer's interest in mail order. It is already experimenting in a small way with mail order and seems likely to move steadily further into this form of selling.

After the problems of the early 1980s, therefore, the mail order sector looks as though it is moving back into a new growth phase. Euromonitor, the market research company, believes that the move towards more specialist catalogues is broadening demand and attracting both younger and more affluent spending groups.

Home shopping, which grew up largely on its provision of credit to the masses, is likely to find new growth coming from its convenience for those too busy or unwilling to shop in the high streets of the 1990s.

David Churchill

We build the best superstores.

So shopping is a pleasure.

And you'll want to come again.

At Tesco we believe in giving our customers the best service possible. That's why we've spent £500m in the last five years on brand new superstores. And why we aim to spend another £500m in the next two.

As the UK's biggest superstore operator we have the experience to know what makes a pleasant shopping environment. That's why every new superstore has free car parking, a petrol station, a coffee shop, a customer service desk, toilets and even a baby care room. In addition there are wide aisles and plenty of checkouts for speedier service.

It all amounts to having the whole high street under one roof. But with the quality of Tesco running throughout.

TESCO

Making an investment in quality.

Specialists

Niche for ties and tights

SMALL SPECIALIST shops, offering one basic range of goods and a specialist, in-depth range, have mushroomed in Britain's high streets over the past decade.

Their ranks include Tie Rack, which sells ties and associated products, Sock Shop, which sells socks and tights, Knickerbox, which boasts an extensive array of underwear, and Alto, a specialist compact disc retailer.

Mr. John Richards, of stockbrokers Wood Mackenzie, said: "The UK is very fertile ground for this type of specialisation. There is still quite substantial potential. We have already seen this type of fragmentation in the US."

The opportunity has existed in the UK largely because of the type of retailing that has developed in this country, with specialist retailers developing into more generalist operators. Companies in this category include Boots The Chemist, Marks & Spencer and Littlewoods, which all started as small specialist operators. On the Continent, for example in France, there has been a sharper division between the small shop and the large hypermarket.

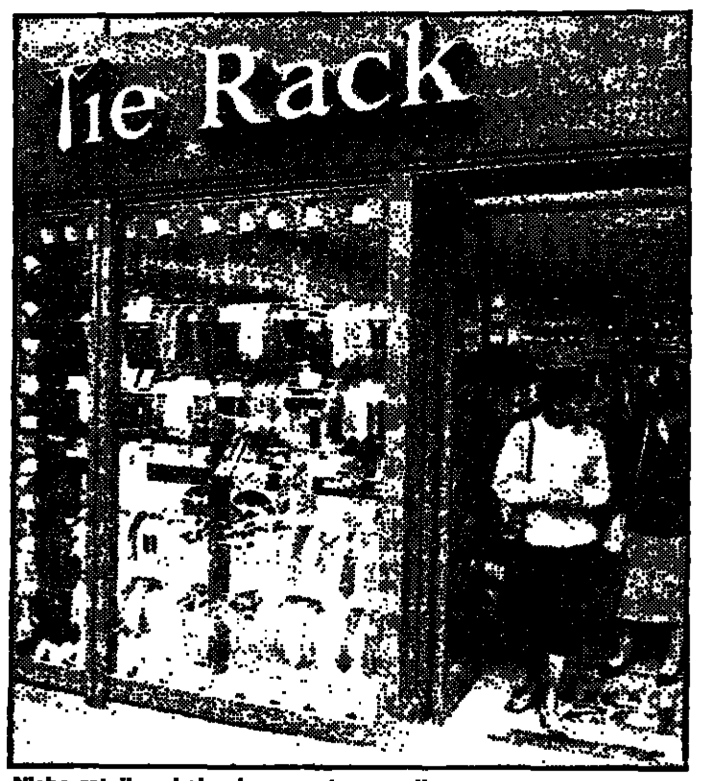
In addition, the shopper today is interested in saving time. "Niche" retailers, with a wide range of a single item, offer the consumer the widest possible choice in the item they want.

This theme is taken up by Mr Roy Bishko, chairman of Tie Rack, which has 105 stores in Britain and a further 14 overseas. "People who are doing something in depth can do it better than those who are not specialist. With 119 stores we have a very large volume of ties and so can work closely with manufacturers. We have a team of specialist buyers who can get the best quality product for the price."

Mr Bishko, like many other entrepreneurs in this market segment, did not have a grand concept of niche retailing when he started selling ties.

In 1981 he opened three heel bars, one of which was in Oxford Street. "I was looking for something exciting to sell in the front of the shop," he said. "I had tried selling shoes but it was very hard to be competitive.

"I had always found ties difficult to buy. They were usually located at the back of department stores and were often expensive."



Niche retailers help shoppers to save time

Mr Bishko started selling ties. His first promotion stated "Ties —Huge Selection— Sensational Value". The first stock sold out in a few days. He decided to convert the shops entirely to specialise in ties and other accessories at the lowest possible price by bulk buying. The marketing philosophy of the company remains the same: a large range of quality ties at the lowest possible price.

By 1984 the company had 14 shops. Today it has 105 stores in Britain and a further 14 overseas. The company, which made a taxable profit of more than £1.7m in the year to February 1987, has gone for a full quotation on the Stock Exchange. Mr Bishko sad: "We are going onto the market now to raise development capital."

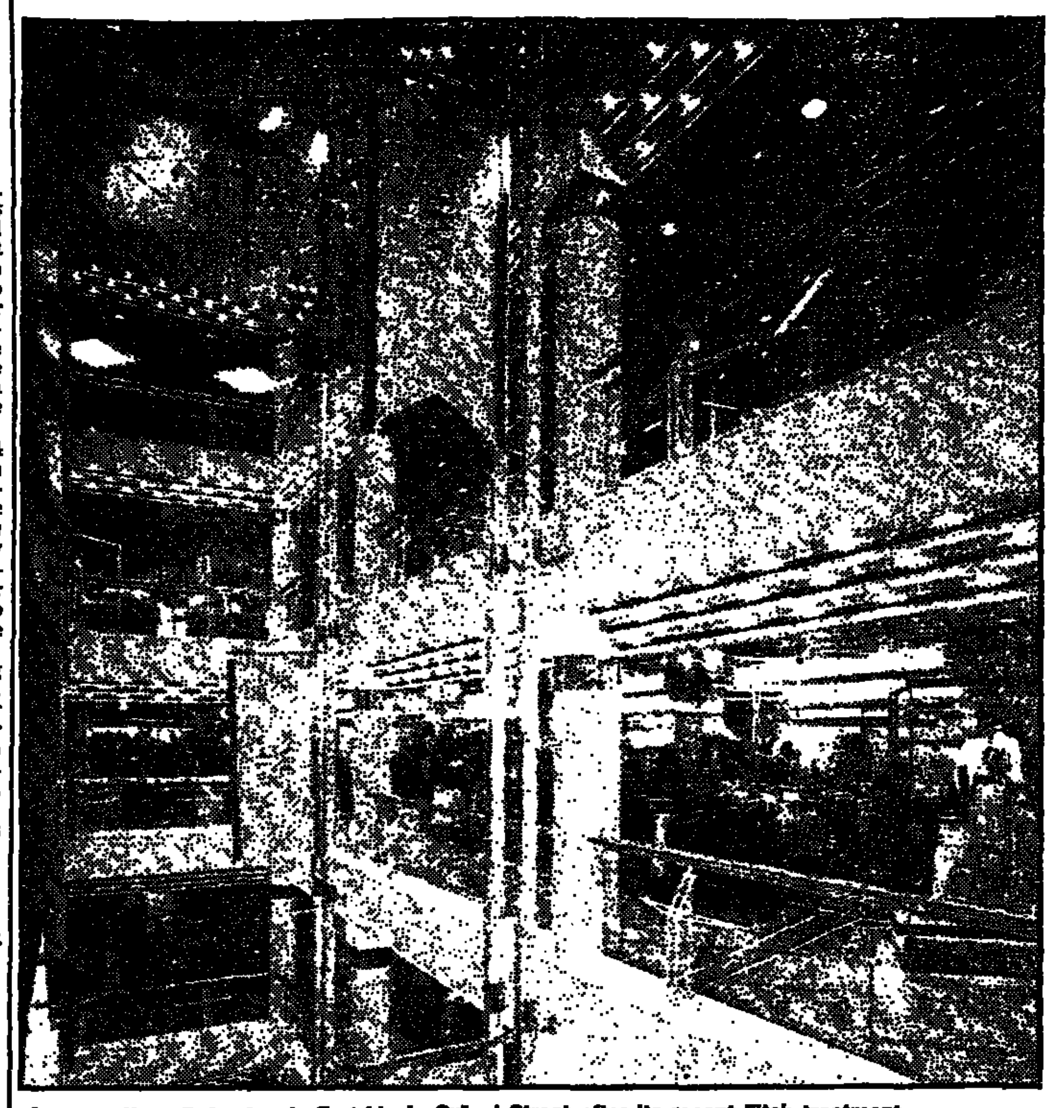
He does not envisage moving away from his core business. "We are planning to expand our existing business and get better and better." Expansion has to date been assisted by franchising the concept. "Franchising is a way of expanding quickly and of harnessing other people's energies," said Mr Bishko.

Sock Shop was set up four years ago by Sophie Mirman and husband Richard Ross who met when they were both working at Tie Rack as senior members of the management. In early 1983 they decided to use the experience of specialist retailing gleaned at Tie Rack, to set up their own business.

Miss Mirman devised the concept for the first Sock Shop, a shop selling socks, tights and stockings. Attempts to raise capital in the City were unsuccessful: nobody was prepared to invest £40,000 in the business for a 49 per cent holding. Launch capital was secured from the Government's Small Firms Loan Guarantee scheme and the first shop opened in London in 1984.

Today Sock Shop has a network of 43 units across the country and in the last financial year to September 30 1986 made a pre-tax profit of £773,000 on turnover of £6.17m with an average of 22 shops.

Sock Shop went onto the Unlisted Securities Market in May with the offer for sale oversubscribed 53 times with applications worth nearly £260m chasing just £4.9m of shares. When the shares began trading on the Stock Exchange they were at such a premium that Sock Shop could claim the highest premium of any new issue this year. **Lisa Wood**



A pacesetter: Debenham's flagship in Oxford Street after its recent Fitch treatment

Refits

Love affair with design

IF ANY sector of the design industry has put design on the commercial map in the UK then it must be retail design.

The high street renaissance, spearheaded by the likes of Conran and Fitch over the past 10 years or so, has been witness to the retailing world's enthusiasm for design as a vital weapon in its marketing armoury. On the back of retail's love affair with design, a host of specialist consultancies has emerged and grown at a phenomenal rate, suggesting the affair is far from over yet.

But retail design in the 1980s is more demanding than what has gone before. After the fashion multiples, food chains and other volume retail businesses have shown the way by sprucing up their stores, it is now the turn of the next tier: traditionally less fast-moving consumer good retailers like jewellers, DIY stores and shoe shops are coming forward for the design treatment. Financial retailers too, like banks and building societies, are waking up, post Big Bang, to the demands of consumer-driven retailing. A more recent development is the interest in design being shown by manufacturers such as Kodak.

Such widespread interest brings with it the increasing danger, however, that design cannot sustain the competitive edge for a company. If retailers and designers are not careful, things start to look too similar.

Peter Trickett of Design Solutions thinks there is already a surfeit of me-too retail design around. "Retail designs are going to have to be sharper," he warns. "Designers will have to think more strategically." Jan Hall of Coley Porter Bell, notes: "We are starting to get a number of retailers who have found design makes them better, but who are now seeking a way to be different, too." The answer, says Hall, is not simply in design. Other factors like promotions, service, merchandise and staff play their part in creating a strong corporate identity. Increasingly, the lines are blurred between pure retail design—or shop fitting as it is less generously called—and the broader corporate identity approach which stretches from logos to service, staff to literature.

Stephen Zachary of McColl puts it another way: "The speed of change in lifestyles and aspirations of consumers means there is a danger that a new retail design will be obsolete shortly after it has been built. The old style of ripping out a shop and refitting it to update the overall image and environment is not cost effective in such short time scales and therefore an alternative has to be found."

He distinguishes between the architectural environment—ceilings, lighting, walls, floors, and so on—and "retail theatre", which is the use of merchandising and display equipment, graphics and point of sale material, signs and shop front displays. "The retail theatre should be a moveable feast which can change much more rapidly than the overall architectural environment and thus give rise to added interest."

Another factor in the retail design equation is today's consumer who tends to be more mobile, more monied (if in work), more knowledgeable, and infinitely more discerning. And with home shopping emerging as a growing force, consumers are going to have to be wooed even more seductively.

Shopping centres are a boom area for the design industry. According to Hillier Parker, there were 719 centres in March 1985 comparerd with none 35 years ago. It estimates that 80 per cent of the British population is within 15 minutes drive of not just one but two centres. And the numbers have risen since then as out-of-town shopping centres develop.

On the design of out-of-town developments, Rodney Fitch is not alone among designers in believing that most of what has been done so far in the UK is "extremely ordinary". And with urban developments, he says, there needs to be a great deal more sensitivity to make sure the development fits into the surrounding streetscape.

Caroline Craven of Crichton believes shopping centres of the future will be more all-embracing in design terms than in the past. "Today people expect more out of shopping," she says. "The segregated urban existence of the sixties and seventies, where work, leisure, living and shopping were considered as separate functions, are over."

Feona McEwan

Growth hungry

Continued from page 1

advent of Sunday trading should further enhance the attraction of supermarkets.

The power of multiple retailers in the UK is already such that it is hard to see what they can do for an encore. Most are currently preoccupied with the hunt for spaces in out-of-town sites, and jostling for prime positions for their spin-offs in the high street.

But the time for bold moves into new territories is drawing closer, particularly for the leading supermarket groups.

The US, birthplace of the modern supermarket, is reckoned by analysts and market researchers to offer prime opportunities.

The $250bn-a-year US grocery market is fragmented. Some 30,000 supermarkets account for three-quarters of all sales, and competition is based largely on price. Only in the past few years have operators begun to see the merits of differentiation and the development of stores with their own "brand" image along the lines of the strategy so well executed by Sainsbury in the UK.

Dee Corporation, currently the third largest grocery retailer in the UK, is one of the most active overseas: it is building strongly in the Spanish grocery business, and gaining experience of US retailing through the sporting goods business as it builds on its base in Herman's.

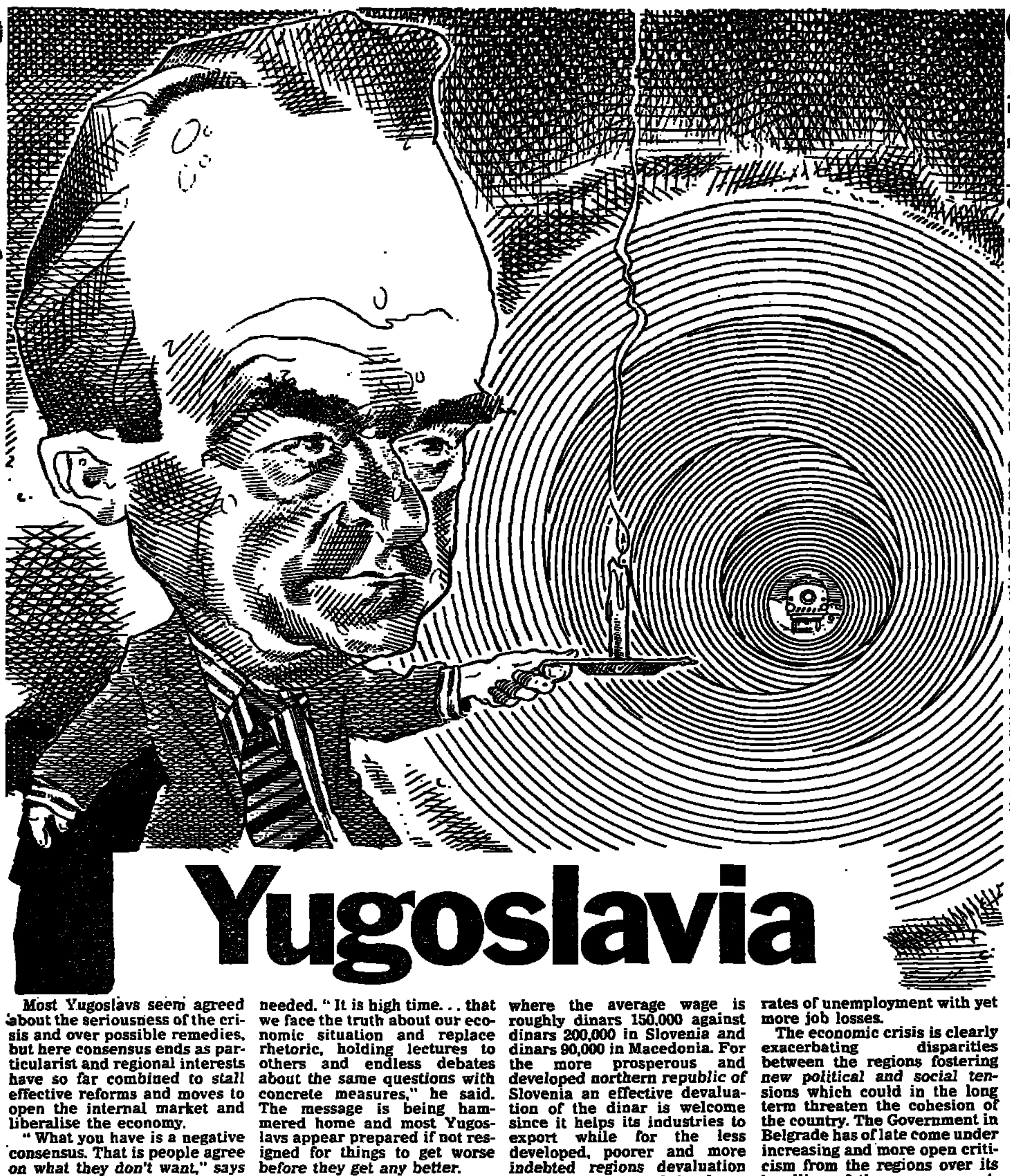
Discussing the future of British food retailing, a recent study from the Manchester Business School concludes: "Diversification must eventually occur. . . . Those groups which have some relevant experience, particularly Dee, will have an advantage. The most likely route is into North America, especially for those groups with a clearly defined concept such as Sainsbury and the Tesco outlets."

However, perhaps the most determined move to date was made by Dixons Group in February. It has a growing 20 per cent share of the UK electrical goods trade and branding, and marketing and merchandising skills to equal the best of the supermarketeers. Chairman Stanley Kalms elected to bid for a slice of the $40bn-a-year US business through a small chain of "power retailer" superstores.

Dixons sees this as an ideal opportunity to apply profitably, in a relatively unsophisticated sector, its expertise in financial control, purchasing and merchandising.

SECTION IV

FINANCIAL TIMES SURVEY



CONTENTS

The economic crisis is widening disparities between the regions, making it more difficult for Prime Minister Branko Mikulic to alleviate the political and social tensions building up in the less prosperous areas, says **Patrick Blum**. Nevertheless the Government is largely sticking to its course and in planning some radical measures, such as a new social compact

Economy on a bumpy track

IT HAS BEEN a difficult year for Yugoslavia and an equally difficult first 12 months for Mr Branko Mikulic, the Prime Minister, who took office in May 1986 amid hopes that he would bring fresh ideas, more efficiency and dynamism to government.

Instead the Government has lost a considerable amount of time and credibility, having been compelled to change economic course within months and to introduce drastic measures to fend off a gathering economic crisis. The measures have led to serious discontent in the country which has experienced an unparalleled wave of strikes that has not entirely subsided and could easily gather momentum again.

Strikes are neither legal nor illegal in Yugoslavia, nor are they unusual, but the scale of the recent unrest sparked off by a government decree rolling back wage increases to their average level in the last quarter of 1986 and in effect imposing a pay freeze by strictly tying pay to productivity surprised the authorities and caused alarm outside Yugosalvia.

In the event and after some hesitation the Government broadly stuck to its guns. The wage controls will remain in force as planned until July 1 when a new social compact, a bankruptcy law, and several other measures will replace and complement them on a more permanent basis.

With hindsight it is easy to see what went wrong. During Mr Mikulic's first six months in office many of the modest achievements scored during the previous six years were undone as interest rates were allowed to fall below the rate of inflation, wages to outpace price rises, and the value of the dinar temporarily to rise against the dollar in which over half of Yugosalv trade is denominated. Inflation soared to 92 per cent and is now running at near 130 per cent on a yearly basis.

In the circumstances, it is perhaps not surprising that western creditors who are owed over $19bn have grown increasingly wary about extending further assistance without a clear commitment from the Government that it will implement real reforms to tackle the economic crisis.

Most Yugoslavs seem agreed about the seriousness of the crisis and over possible remedies, but here consensus ends as particularist and regional interests have so far combined to stall effective reforms and moves to open the internal market and liberalise the economy.

"What you have is a negative consensus. That is people agree on what they don't want," says Mr Vladimir Glicorov, an economist and commentator. He argues in favour of a strict anti-inflationary policy, cutting back sharply on budget expenditure and involving some measure of privatisation. That may be too extreme for the Government but it recognises that some strong medicine is needed.

In February Mr Mikulic warned his compatriots that action not words were now needed. "It is high time... that we face the truth about our economic situation and replace rhetoric, holding lectures to others and endless debates about the same questions with concrete measures," he said. The message is being hammered home and most Yugoslavs appear prepared if not resigned for things to get worse before they get any better.

There are numerous obstacles in the Government's path. In addition to traditional rivalries between Yugolsavia's six republics and two autonomous provinces and their deep-seated suspicion about the federal authorities in Belgrade, strong disparities between them make it difficult to apply a uniform policy.

Wage controls, for example, have a different effect in Serbia where the average wage is roughly dinars 150,000 against dinars 200,000 in Slovenia and dinars 90,000 in Macedonia. For the more prosperous and developed northern republic of Slovenia an effective devaluation of the dinar is welcome since it helps its industries to export while for the less developed, poorer and more indebted regions devaluation makes life that much harder.

Similarly, moves to raise interest rates gradually to "real positive" levels pose a more serious danger to the survival of enterprises in the less-developed regions because of their lower efficiency and their greater dependence on financial assistance. Measures to strengthen the market economy threaten the poorest regions which already have the highest rates of unemployment with yet more job losses.

The economic crisis is clearly exacerbating disparities between the regions fostering new political and social tensions which could in the long term threaten the cohesion of the country. The Government in Belgrade has of late come under increasing and more open criticism from the regions over its handling of the economy, notably the imposition of the pay curbs condemned as high-handed meddling. For its part the Government has warned that it would not tolerate moves that undermine the authority of the federal institutions.

The warning applies as much to Slovenia which has moved far ahead of the rest of the country along the path of political pluralism and economic liberalism as to Kosovo where nationalist agitation and outbursts of communal violence have been a running sore. There is growing concern in Belgrade about continuing conflicts among the majority ethnic Albanian population in the province and the Serb, Croat and Montenegrin minorities.

The Government is hoping that its current measures and forthcoming reforms will help to reduce centrifugal forces and strengthen central control over the whole economy. Further measures to unify the tax system, rationalise banking, encourage private enterprises, joint ventures and foreign investment are being prepared.

Ultimately the success of these efforts may well depend on a planned constitutional reform that it is hoped will enshrine the laws of the market economy in the laws of the land and more subtly but equally important will alter aspects of the decision making process in enterprises—for the first time touching on workers' self-management, one of Yugoslavia's most protected and cherished institutions.

The system of self-management has enabled workers to maintain high wages and keep their salaries ahead of inflation by voting themselves larger allocations from the company's funds regardless of its performance. Regional governments and politicians eager to maintain local employment and patronage have simply provided the funds that have kept many lossmakers in business.

The system has come under growing criticism and the Government is determined to make wages dependent on productivity thereby striking at the heart of the self-management system.

The main aim of the constitutional reform is to establish the legal basis for a more efficient economy. The idea is to allow room for greater incentives, greater responsibility and to reduce political interference with enterprises. Reforms will seek to overcome existing constitutional obstacles to the market economy and to change the decision-making process within enterprises and other economic organisations by ending consensus and limiting the use of referendums on most decisions.

Getting around the rules is a traditional and widespread practice in Yugoslavia and to ensure that economic plans are implemented the Government would also like federal powers over economic affairs to be increased and extended, although this is likely to meet resistance from the regions.

The principle of equality between the regions will remain, but officials warn "equality should not be used as an excuse for inefficiency." And it should not be easy for the regions to block decisions.

The constitutional reforms are really political reforms in disguise and although there is no question of allowing the establishment of independent political parties the authorities are considering allowing "political pluralism" within the Socialist alliance, a Communist umbrella organisation which groups together the League of Communists (Communist Party), the trade unions, the socialist youth organisation and other professional, cultural and sports associations.

Such moves are really only a modest reflection of changes that have already taken place in Yugoslav society which is more open than that of any among its Warsaw Pact neighbours. Politicians in the republics or provinces, journalists, professors, students and workers can say aloud what could only be whispered in other socialist countries although taboos remain especially regarding the country's national integrity. Even aspects of non-alignment have been questioned although officials insist that the policy is not up for debate.

Since the death in 1980 of Marshal Josip Broz Tito, Yugoslavia's first Communist ruler, the country has undergone major changes. Not least it is paying the price today for the debts accumulated under Tito during the 1970s. Few people appear to look back with much nostalgia to those days except perhaps for the fact that standards of living appeared more secure then, being maintained artificially high and above the country's real income.

Yugoslavs are wakening up to that fact with a joke that is doing the rounds of Belgrade. "The bad moment comes," it says, "when you realise that the light at the end of the tunnel is in fact the headlight of the train coming towards you."

The economy and foreign debt burden are the biggest problems confronting Prime Minister Mikulic

Bitter medicine proves difficult for the patient to swallow

SOME YEARS ago a western diplomat compared the Yugoslav economy to the bumble bee which according to the laws of aerodynamics should not be able to fly. Recent developments suggest that the laws are starting to have the upper hand—short of radical change Yugoslavia's national economy may well be slowly grinding to a halt.

Inflation has rocketed, production and exports are stagnating, the trade deficit has soared and the country faces hefty repayments on its foreign debt. Emergency measures introduced by the Government of Mr Branko Mikulic to halt inflation, boost exports and reduce consumption have yet to make an impact. In the meantime, the Government has faced an unparalleled wave of labour unrest.

Officials and sections of the business community believe the Government's apparently contradictory strategy of economic intervention combined with the piecemeal introduction of reforms to liberalise and open up the economy to market forces will work and that it has already started to show some results, if only modest ones: wages are being held down more firmly, demand and domestic consumption are falling partly because of rising interest rates and the currency is being gradually devalued to help exporters.

Given time and help from Yugoslavia's trading partners and creditors the economy will turn around, they say.

Not everyone is as optimistic. Companies complain that they cannot import essential raw materials or equipment because they have been starved of foreign currency after the introduction of tough new foreign exchange regulations.

Production is stagnating in many sectors and a large number of factories and companies are running below capacity and at a loss. According to Mr Mileta Jesic, deputy president of the Yugoslav Chamber of Economy which represents business, at least 10 per cent of all Yugoslav enterprises are in deficit and about half of those may have to be closed down if the new law on bankruptcies which comes into effect on July 1 is strictly implemented.

The law will, for the first time, allow companies to be liquidated on economic grounds but it is thought unlikely to be fully and universally applied. "A few selective closures in each republic and province will serve as an example and encourage the others to improve their performance," a Belgrade economist says.

The number of workers employed in loss-making companies increased by 14 per cent last year to bring their total number, including those working for state utilities and the railways, to about 594,000. Dr Jesic estimates that between 100,000 and 200,000 workers could lose their jobs under the new bankruptcy law.

The banks which have provided a lifeline that has kept many enterprises afloat find it increasingly difficult to extend new funds to their clients because of government limits restricting credit primarily to companies with a net export performance. The accumulated foreign exchange losses of some companies have also hit the banks which expect to face a difficult environment for this year and the next.

There is a high degree of uncertainty in the country and it is likely to persist as long as improvements remain tentative and until inflation is brought under control. Retail prices rose by more than 92 per cent last year and have continued to rise this year.

According to figures from the national statistics office retail prices were up by 31 per cent in the first four months—the equivalent of an annual rate of about 128 per cent.

Inflation was given an additional push by a rush of pay deals struck at the end of the year to pre-empt the expected introduction of tough new government wage controls. According to National Bank statistics in December alone personal incomes rose by 15.5 per cent compared with the previous month, twice the rate of increase recorded in 1985.

Between 1981 and 1985 real incomes had declined by about 25 per cent but they started to rise again along with domestic consumption after the authorities decided to relax price controls to revive domestic demand and encourage growth.

Companies which found it easier and more profitable to sell their goods at home rather than having to struggle through the Government's complicated foreign exchange regulations and face international competition helped to fuel an inflationary spiral which was aggravated by high wage settlements as workers under Yugoslavia's unique self-management system voted themselves substantial pay rises.

Last year saw an increase in real personal incomes of over 10 per cent at a time when productivity was declining or stagnating. The trade deficit rose by 25.7 per cent to $2.01bn and the current account ended the year with a $1.1bn surplus only, thanks to a strong increase in invisible earnings especially from tourism and remittances from workers abroad.

Prof Ljubomir Madzar, from Belgrade University, argues that Yugoslavia last year failed to take advantage of the decline of the dollar, of international interest rates, and of oil and raw material prices. He estimates that these provided a bonus to Yugoslavia worth between $1bn and $1.6bn which, he says, "should have been used to speed up adjustments in the economy."

There is general agreement that Yugoslavia's current economic ills require some tough medicine but underlying institutional and structural weaknesses make remedies difficult to administer. Large disparities of wealth and levels of development between regions, their resistance to interference from the federal authorities in Belgrade, the absence of financial discipline of industries with low productivity and low efficiency, the existence of a vast grey economy, all combine to make government efforts to develop a more unified and rational internal market and to modernise industry especially difficult.

Some crucial adjustments have nevertheless began. Interest rates remain well below inflation but they are gradually edging upwards despite concern from sections of the business community. Many enterprises are heavily indebted and the new rates are "a high and almost intolerable burden for borrowers," says Dr Slobodan Ostojic, vice-president of Udruzena Beogradska Banka, a major banking group.

The discount rate was raised on April 1 from 61 per cent to 81 per cent—also the rate for six month time deposits and the three months rate was raised to 46 per cent.

Mr Joven Petrovic, deputy general manager at the National Bank, says that the discount rate will be brought up to around 100 per cent on July 1. Higher interest rates and the new law on accounting will impose tighter financial discipline on enterprises, he says.

Since the beginning of the year the value of the dinar has been allowed to fall with an effective depreciation of 37.3 per cent (by May 14) against a basket of western currencies. This is expected to help exports although Yugoslav enterprises may still face problems in dollar-denominated markets.

The poor results of the first four months during which total exports fell by about 1 per cent were disappointing despite a strong increase in hard currency exports and the decline in the value of imports and in the trade deficit.

The Government is likely to redouble its efforts to build up hard currency exports to help repay the country's foreign debt which stood at $19.364bn at the end of 1986.

According to the national bank $704m of principal in the hard currency debt was repaid in the first quarter of this year in addition to $450m in interest payments.

Officials in Belgrade were optimistic that negotiations in Paris in May with government representatives over the second phase of a debt rescheduling agreement covering repayments due between May this year and May 1988 would be completed successfully.

The IMF has been highly critical of the Yugoslav Government's handling of the economy last year and of its failure to implement its declared policies, especially on moving towards real interest rates, a realistic exchange rate and implementing tougher anti-inflationary measures. An IMF mission to Belgrade in February does not appear to have changed its earlier assessment.

Similar reasons prompted the World Bank to refuse to grant a second structural adjustment loan, to follow a $275m one agreed three years ago. The bank wants the introduction of positive real interest rates, relaxation of price controls and a more liberal, import policy.

Belgrade clearly hopes that economic measures carried out so far this year and its stated willingness to implement further reforms to improve the economy will mollify its creditors and make easier negotiations with governments and the commercial banks over the country's debt.

Patrick Blum

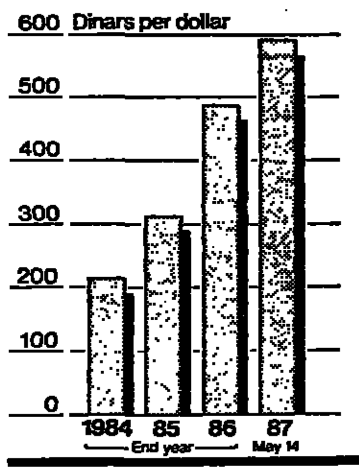
Balance of payments January—December 1986

(million dollars)

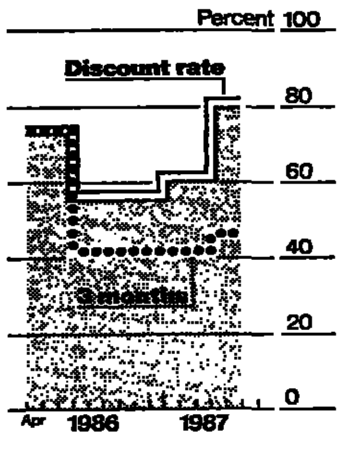
	All Total	All Per cent change	Convertible currencies Total	Convertible currencies Per cent change
CURRENT RECEIPTS	19,721	11.3	15,339	16.7
1 Exports of goods	11,084	4.3	7,249	11.6
2 Services	4,501	25.7	3,975	26.5
3 Private transfers	3,951	19.7	3,935	19.8
4 Interest	185	16.7	180	−17.4
CURRENT PAYMENTS	18,621	10.2	15,094	17.9
1 Imports of goods	13,096	7.1	9,739	17.8
2 Services	1,276	12.6	1,170	11.2
3 Withdrawals from private for. currency accounts	2,315	40.2	2,315	40.2
4 Interest	1,934	2.5	1,870	2.3
CURRENT BALANCE	+1,100	32.1	245	−28.8
BALANCE OF VISIBLES	−2,012	25.7	−2,490	40.6
BALANCE OF INVISIBLES	+3,112	27.9	+2,735	29.3

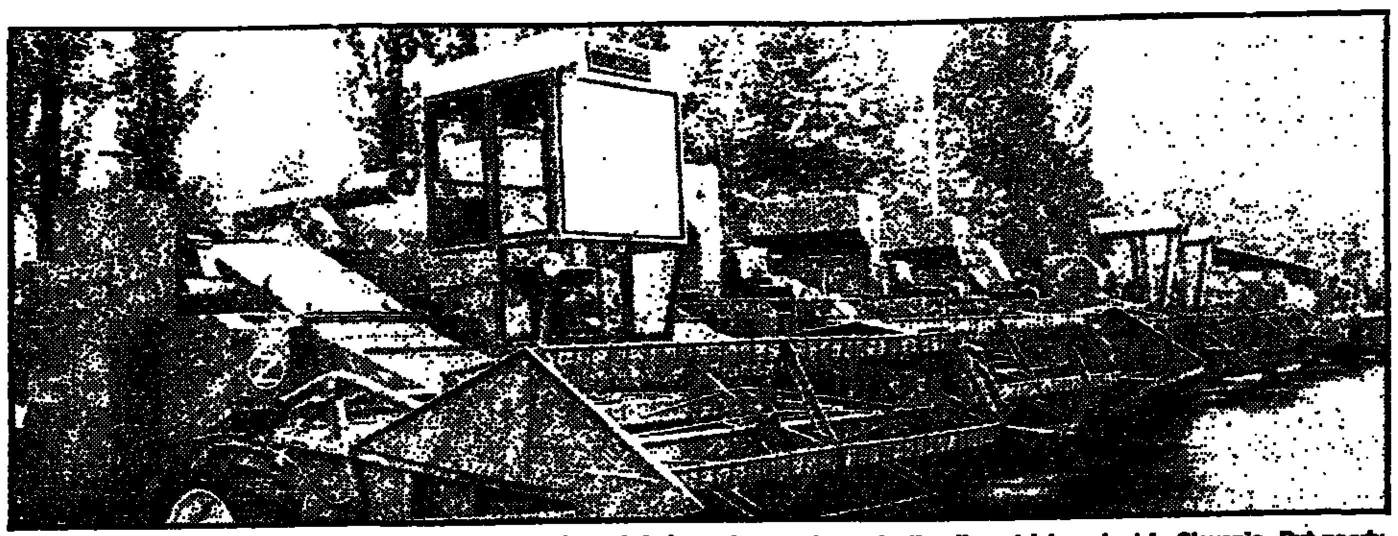
Source: National Bank of Yugoslavia

Exchange rate



Interest rates





Farm machinery at Zmaj plant in Zemun, near Belgrade and, below, phone sets production line at Iskra plant in Slovenia. But nearly 600,000 workers are in loss-making businesses.

Mr Eduard Shevardnadze, Soviet Foreign Minister, visits Belgrade shortly to prepare for the visit of Mr Mikhail Gorbachev, the Soviet leader (right).

Foreign policy

A drive for support in both directions

FACED WITH a worsening economic crisis at home the Yugoslav Government is turning to its friends abroad, East and West, for urgent assistance.

Yugoslavia's position as a neutral and non-aligned state poised between East and West—between Nato and the Warsaw Pact—has enabled it to win advantages from both sides. Yugoslav diplomats argue that it is in everyone's interest for this to continue and they are not afraid of special pleading on the basis of their country's strategic geo-political importance. It would benefit no one, they say, to upset Yugoslavia's delicate balancing act between East and West or to see its internal stability seriously threatened.

Mr. Branko Mikulic, the Prime Minister, hammered home that message recently in a letter to foreign ministers of the European Community in an attempt to drum up support for new trading arrangements and financial assistance. The letter spelt out his Government's concern and dissatisfaction with the "stagnation" of co-operation between Yugoslavia and the Community and with the deteriorating pattern of trade.

He suggested that without an improvement in economic relations with the Community Yugoslavia could be forced to rely more heavily on trade and closer co-operation with East bloc countries.

The threat has to be taken with a pinch of salt. If anything, the country's economic crisis has brought it closer to the West which provides welcome debt relief. Current and planned reforms to strengthen the market economy should also encourage closer links with the West, but Mr Mikulic's plea underlines a very real dilemma for the Yugoslav Government.

The severity of the country's economic crisis compels the Government to exploit every possible avenue to increase trade and to keep the wheels of the economy turning. Economic necessity could upset traditional relationships. Officials in Belgrade are anxious to prevent the balance tipping too heavily to either East or West and they have redoubled their efforts in both directions especially towards the European Community and towards the Soviet Union.

Relations with Moscow are described as "very good" in Belgrade where it is hoped that the reform course and more modern and pragmatic approach adopted by Mr Mikhail Gorbachev, the Soviet leader, will open up opportunities for co-operation.

The Soviet Union is Yugoslavia's largest trading partner and a major supplier of oil, gas and other crucial raw materials. The decline in oil prices and in the value of the dollar has brought a sharp fall in the value of Soviet exports to Yugoslavia leading to a Soviet deficit of over $1bn in bilateral trade last year.

Yugoslavia would like to maintain trade levels between the two countries through additional Soviet deliveries but this is proving difficult to achieve and Yugoslav diplomats admit that it will not be sufficient to redress the trade imbalance.

Trade and new economic co-operation have been the main subject of talks during several high level visits both ways between the two countries in the past year. Yugoslavia is pressing the case for direct participation by Yugoslav companies in major projects in the Soviet Union. Mr Eduard Shevardnadze, the Soviet Foreign Minister, will be in Belgrade soon to prepare for Mr Gorbachev's forthcoming visit to Yugoslavia scheduled for this year and expected to take place in the autumn.

Yugoslavia has adopted positions close if not similar to those of the Soviet Union on some international issues but there are sharp differences on several, notably on Afghanistan and Kampuchea—Yugoslavia calls for the withdrawal of Soviet troops from Afghanistan and opposes the Vietnamese military intervention in Kampuchea.

The Soviet Union is also seen to bear some responsibility for the arms race. "It takes more than one to have a race," says a senior foreign ministry official in Belgrade.

Relations between the two countries stand to improve under Mr Gorbachev whose reforming intentions meet evident approval in Belgrade. "The changes (in the Soviet Union) are not cosmetic, their general direction is positive, and they will have positive effects on the international situation, but it will be a long process and not without resistance," an official says, adding with a hint of irony "We were accused of being revisionists for our reforms by the Soviet Union and by China, now they are changing. So we can only be pleased."

If economic, primarily domestic, concerns have taken priority over traditional, mainly international, ones, Yugoslavia has not lost its interest in regional issues or in the non-aligned movement. The temperature of relations between the Balkan states tends to fall and rise dramatically according to internal developments, especially those affecting national minorities within each state.

There has been sporadic concern in Yugoslavia over Bulgaria's treatment of its ethnic Macedonian minority and over Romania's treatment of its Serbo-Croat minority. The most serious problems have arisen with Albania which Yugoslavia has accused of stirring nationalist sentiment among the majority ethnic Albanian population of the southern province of Kosovo.

Repeated outbreaks of violence between the Serbian and Montenegrin and Albanian communities or against the local police continue to provide the federal authorities in Belgrade with one of their most intractable problems.

These difficulties did not deter Yugoslavia from suggesting recently the establishment of a conference of the foreign ministers of all the Balkan states to discuss "areas of mutual interest and co-operation". The idea which has yet to be conveyed as a formal proposal to Yugoslavia's neighbours has met with a "very positive response", officials say. Sceptics, they say, fail to recognise that "regional co-operation is a sign of the times and is happening everywhere".

Co-operation with countries of the third world remains important for Yugoslavia as a symbol of its attachment to the pursuit of a better world economic order and to the non-aligned movement. "We are very active in the non-aligned movement. There is no question of pulling back. Non-alignment is a strategic part of Yugoslavia's foreign policy", an official says.

Nevertheless there is more open and more public questioning, some say for the first time in decades, of foreign policy objectives, reflecting in part the changed economic and political conditions in Yugoslavia today.

Non-alignment as such has not been questioned but aspects of the policy have been, with suggestions that Yugoslavia should pay more attention to Western Europe and be less lenient towards the activities of some of the members of the non-aligned movement such as Libya.

Questions have been raised in Parliament and in the Press, especially in Slovenia which has been more outspoken than most other republics on many issues, over why Yugoslavia had not re-established diplomatic relations—broken after the 1967 Arab-Israeli war—with Israel since this could give it the opportunity to play a modest intermediary role in the search for peace in the Middle East.

Others have questioned Yugoslavia's participation in the science and technology programmes of the Soviet Union and its allies saying it amounts to joining the Warsaw Pact through the back door. Such questions raise crucial points of policy for Belgrade but whether they will lead to a more fundamental reassessment of policy remains for the time being an open question.

Patrick Blum

Foreign trade

Success in hard currency markets

ONE OF THE major bright spots in the otherwise not very bright Yugoslav economic picture is the success so far in boosting exports to industrialised countries this year. In the first four months their value was more than 15 per cent higher than in the same period of last year. Although as the table shows imports from those countries also increased, the ratio of exports to imports improved from 68.7 to 72.7 per cent.

The break-down of trade figures by countries is available for the first quarter only, but the same trends continued in April as well. In percentage terms, the greatest increase of 220 per cent was in exports to Portugal, but values were insignificant, $500,000 and $1.6m respectively.

The real important increases were in exports to the US, which went up by 29.1 per cent, from $111.9m to $144.5m; to Austria (29.6 per cent, or from $55m to $71.3m); and to the UK (21.8 per cent, from $42.1m to $51.3m).

On the other hand, largest incremental increases were to the Federal Republic of Germany ($37.3m), although exports there went up by only 14.4 per cent, the US ($32.6m) and Italy ($24.3m, exports up 9.8 per cent).

This, especially if the same trends continue, is very important for Yugoslavia, because increasing its hard currency exports and other earnings is the only way for it to achieve simultaneously several vital goals: speed up growth while restructuring and streamlining the economy, service its debt, and possibly borrow fresh money for development projects.

The fact is that industrialised countries are the only ones at present where Yugoslavia can earn more hard currency. Developing countries have been reducing their imports and have slowed down their development programmes, so that there is less scope for Yugoslav exporters and contractors there.

The same is true of some socialist countries where payments are in hard currency (Yugoslavia has clearing arrangements with the USSR, Czechoslovakia and East Germany, and hard currency payments of annual trade balances with the rest).

At the same time, industrialised countries are its main supplier of technology, and almost all of its external debt is owed to them. Thus the foreign exchange Yugoslavia earns in those countries is also spent there either to pay for imports of equipment and other goods or service the debt.

The share of industrialised countries (Organisation for Economic Co-operation and Development in aggregate Yugoslav trade has been going up. In 1986, their share in exports was 37 per cent, and in imports 48 per cent, compared to 35 and 46 per cent respectively in 1985. In the first four months of this year, the share went up to 49 per cent of exports and 56 per cent of imports.

That may be good for immediate needs on both the export and import sides, although as a long-term trend it is not in conformity with the idea Yugoslav authorities have about the desirable geographic distribution of the country's foreign trade, of which roughly a quarter should be with developing countries and the rest equally split between industrialised and socialist countries.

A Soviet vice premier, Mr Ivan Silayev, recently in Yugoslavia, is trying to resolve the problem of the falling value of Soviet-Yugoslav trade because of cheaper oil, gas and raw materials, which represent by far the largest part of Soviet exports to Yugoslavia, as those exports have much lower values Yugoslavia has been accumulating large surpluses in trade with the Soviet Union. It would like to buy more there instead of reducing its exports but that is difficult because Soviet businesses do not have enough exportable goods Yugoslav companies are interested in, or prefer exporting them elsewhere.

That is the main reason why Yugoslav trade with the socialist countries, which are important both as suppliers and markets, has been falling. In 1985 their share in exports was 51 per cent, in 1986 some 48 per cent, whereas in the first four months of this year it was 35 per cent. Their share in Yugoslav imports fell from slightly less than a third in 1985 and 1986 to 29 per cent in the January-April period of this year.

For reasons already mentioned, trade with the less-developed countries has also been going down. While exports to them were around 14 to 15 per cent of the total in 1985, 1986 and in the first four months of this year, the shares of imports from them were 21, 19 and 15 per cent respectively.

Such movements produced a slight fall in the total value of Yugoslav exports in the January-April period of this year, and a bigger reduction of imports. Those overall figures, however, should not be interpreted as meaning that Yugoslav trade has taken a setback. The question to be asked is whether what has been achieved can be sustained throughout the year and possibly improved.

The answer depends mostly on whether Yugoslav manufacturers and exporters will be motivated to increase exports. At the moment, in most cases, they can fetch higher prices on the domestic market than abroad, in spite of a 37.3 per cent effective depreciation of the dinar between December 31 and May 14, which exceeded relative producer price movements by 5 percentage points, and in spite of the determination of the authorities to continue in that direction.

That in turn depends also on whether domestic demand will effectively be curbed through an incomes policy which will, at the same time, motivate workers to step up production and discourage wage and salary increases not justified by productivity gains, including various budgets, which have been hitherto feeding inflation, through restraining such things as non-productive investments.

Very important for further export growth would be to resolve the problem of the dinar's relation to the dollar. Unlike South Korea and some other newly-industrialised countries whose currencies are linked to the dollar, Yugoslavia has linked the dinar to a basket of seven currencies of its major trading partners, in which the dollar's weight is some 18 per cent.

At the same time, about half of its trade is denominated in dollars. Last year, the dinar depreciated against the dollar by 46 per cent, while production costs went up by nearly double that rate, so that those selling for dollars incurred heavy losses, and their competitiveness on dollar markets was eroded.

In addition to that, the growth of Yugoslav exports also depends on the international environment, which at the moment is not very favourable, as growing protectionist tendencies in industrialised countries have been hurting Yugoslav products increasingly.

Of particular significance will be the conclusion of a new trade agreement with the European Community. The five year agreement signed some seven years ago has been extended until a new one is negotiated. In Yugoslav opinion, EC members have been less than forthcoming in improving access to Yugoslav goods in their markets.

Yugoslavia would like quotas for all of its industrial products to be abolished.

The president of the European Commission, Mr Jacques Delors, is expected in Belgrade in July. He has been reported as saying that he cannot imagine coming without negotiations being satisfactorily concluded. That inspires confidence that the next month or so will see a breakthrough.

Alexsander Lebl

Yugoslav foreign trade

US$m at current exchange rates	1986*	1987*	Index
Total exports	3,151.3	3,120.4	99.0
Hard currency	2,091.5	2,296.1	109.8
Clearing	1,059.8	824.3	77.8
Industrialised countries	1,337.1	1,540.7	115.2
Developing countries	455.1	477.1	104.8
Socialist countries	1,359.1	1,102.6	81.1
Total imports	4,047.8	3,777.2	93.3
Hard currency	2,826.4	2,814.9	99.6
Clearing	1,221.4	962.3	78.8
Industrialised countries	1,946.5	2,117.5	108.8
Developing countries	954.2	557.1	58.4
Socialist countries	1,147.1	1,102.6	96.1

* January-April

Constitutional reform

Big changes needed to boost economy

TWO YEARS AGO the Yugoslav authorities decided in principle to review and reform the political system to remove obstacles to the development of the market economy and create a favourable environment for it.

As a result, proposals are being prepared to amend and change the constitution of the *federation and of the* republics and provinces, which will require far-reaching changes in *other legislation and regulations.*

Last February, the collective heads of state of Yugoslavia, its state presidency, submitted to the parliament a proposal to initiate activities which will lead to constitutional changes. *It expressed its view as to the* extent of those changes and directions in which they should go, *having previously consulted* republics and provinces *in* order to see what would be acceptable to them (any change in the federal constitution requiring unanimous approval by their respective parliaments).

*The federal parliament sup*ported the initiative of the state presidency and charged its commission for constitutional affairs to formulate by the end of July of this year proposals for amendments to the constitution.

Expectations of the presiden*cy's initiative fall well short of* radical change. Nevertheless, many consider that the 13-year-old present *constitution* cripples efforts at rational economic behaviour, efficient government, fostering of self-management and further democratisation of the country, and are hoping for something substantial.

To begin with, the Presidency proposes better protection of commonly owned property, so *that it cannot be mis-appropri*ated, by anyone, including various governments. (In Yugo*slavia there is no state* property in the sense there is in centrally planned economies. Everything that is not private property belongs to the society as a whole and is managed by those who work with it.)

The Presidency proposes to strengthen the obligation and responsibility of those who work with "societal" property to mantain and increase its real economic value. This will require federal legislation for:

- Defining the rent and monopolistic profit that cannot be distributed among workers but must be used for joint development goals.
- *The hitherto widely used com*pulsory pooling of resources for various projects is to become an exception, and workers are to get back those resources plus indemnity for their use.
- Investments between Yugoslav organisations are to be stimulated by giving partners equal decision-making rights, as well as guaranteeing their *indemnity for the use of* resources and their return in real value. So far, few organisa*tions have invested in other* organisations because they had little influence in what was going to happen with their resources.

The presidency hopes that the revised constitution will encourage foreign investments in Yugoslav economic organisations, and in resources owned by Yugoslav citizens. It is proposing better legal and economic guarantees for private citizens who want to work with their own means; and broader scope for private small *businesses, with encourage*ment for co-operatives, especially farmers'.

Large nationwide technical and technological systems are proposed; while the theoretical *obligation* for trading organisations to associate with production organisations included in the present constitution but never implemented, is to be abolished.

The planning process is to be rationalised. Joint development plans and programmes are to be introduced for infrastructure. The national plan should *become* a vehicle of joint economic and development policy and integration on the single Yugoslav market.

In the field of the socio-political system, the Yugoslav Presidency would like the decision making to become more democratic, rational and simple. The number of issues for which direct decision making by work*ers* in referendums or other forms is required should be narrowed down, and the role of the *workers' councils* should be enhanced. The workers' councils in companies should decide on a broader range of issues without consensus of basic organisations. Self-management agreements should be *binding*.

The rights and duties of the *Federation are a field in which* the Presidency would like several changes to be made. The Federation should be strengthened, for common interests to be more efficiently realised so that the single Yugoslav market may function better, and that federal laws may be uniformly applied throughout the country.

Specifically, it should be stipulated that for the single Yugoslav market two additional things are necessary: unified bases of the tax system, and unified *strategy* of technological development. Accordingly, the bases of the tax system would be *stabilised by federal law. Now,* each republic and province is free to decide on taxes, and they are very different from one region to the other. The heralded tax reform will have to wait for the outcome of constitutional revision.

The self-management organisational set-up should not be rigidly stipulated but forms should be made possible which will satisfy rationality and needs of modern development, capable of rapidly adapting to the requirements of technical and *technological* change and modern organisation of work. The company, or work organisa*tion in the Yugoslav jargon,* should become an autonomous economic agent, and not only a loose federation of its parts, the basic organisations of associate labour.

Public discussion of constitutional changes has not yet started, but limited debate has begun in various bodies and in the media, focusing on such topics as the demand for a third chamber of the Federal parliament in addition to the Federal Chamber and Chamber of Republics and Provinces.

It would be a chamber of associated labour, such as exists in the parliament in *republics* and provinces. Its advocates contend that the present two chambers have too *little* scope for *the expression of* the interests of the Yugoslav working class as a whole.

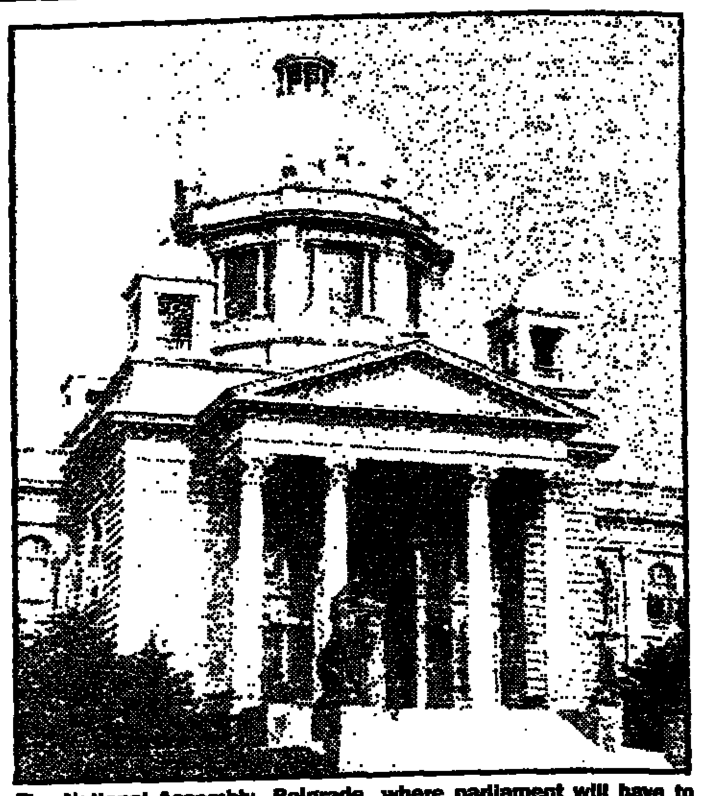
Most Yugoslavs appear *to* favour a third chamber though political leaderships in some republics and provinces oppose it arguing fairly predictably that the present solution is the best guarantee for the equality of Yugoslavia's peoples, and that *interest of self-managers* can be safeguarded

The presidency's proposals are something of a compromise providing for an increase in the number of self-managers in the present two chambers to be increased, and a strengthening of their role.

The position of the Presidency itself is not entirely *clear. Its members are elected* by parliaments of republics and provinces (each elects one), while the ninth member is the President of the central committee appointed *ex-officio*. As a collective body they are not responsible to anyone. The new *proposals envisage* their being elected by the Federal parliament and responsible to it, and four years, like the parliament—and not five. The *replacement* of the collective presidency by a President of the Republic, has also been mooted.

It will be many months before the nature of the proposed reforms and their chances of success become apparent. The Commission's proposals, due next month, will form the basis of a draft Bill, to be submitted to parliaments of republics and *provinces*, and published for the public debate. Amendments, taking into account *suggestions* and *objections* at this stage, will be incorporated into the draft which will need approval by a two-thirds majority in the Federal chamber before being resubmitted to the republics and provinces, finally approved, and declared law. *Should they withhold approval,* any new initiative would have to wait at least a year.

Alexsander Lebl



The National Assembly, Belgrade, where parliament will have to deal with proposals to change the constitution of the federation and of the republics and provinces.

Small businesses

Red tape restricts growth

MR FRANC ZIROVNIK is a plastics manufacturer. He has a private factory in a shed behind his home in Pula, at the southern tip of the Istrian peninsula in the Republic of Croatia. He *employs nine workers—10 is the* maximum permitted under present law—who operate nine moulding machines.

They make plastic packaging which, when he started business in 1971, had mostly to be imported. He was previously an *engineer with Tehnomont, in* Pula.

His first machine he designed and built himself. His latest, also self-designed, is under construction in the workshop attached to his house. Some of his other eight machines are Italian imports. One was designed by a friend.

The first reason he gives for *wanting to strike out on his own* is that it is a more creative way of making a living "In a company, there is always someone over you," he says. "There's also more money this way."

Mr Zirovnik is one of 235,000 self-employed businessmen in Yugoslavia. Many are taxi-drivers, restaurateurs, mechanics, seaside landladies and the like, *but between them they employ* some 125,000 workers. These figures do not include workers in agriculture, where some 85 per cent of the land is privately owned, and compare with public-sector small business employment of 200,000 peple in 2,422 companies in 1986.

The Government wants to increase the number of private *businesses. They believe* that some 50 per cent of the unemployed could be absorbed into an enlarged private *sector*.

Leading bankers and economists in Belgrade put the encouragement of private business among their top priorities for revitalising the economy. Mr Mileta Jesic, vice president of the Yugoslav Chamber of Commerce, says his organisation has been encouraging some of its bigger members to develop a *closer relationship with small* businesses, both in the private and public sectors. The Chamber is arranging a meeting with the Conference of Cities and Communes of Yugoslavia to help this along.

Back in Pula, Mr Zirovnik has an order to make plastic plant trays from a nursery in Zagreb. It does not overstretch his labour resources. He can get by with his nine workers.

There are loopholes in the law he could use; he could *employ part-time* workers, or he could even take on partners. One business in Slovenia has *eight partners*, who are *legally* entitled to employ 80 workers.

But, right now, he would be content to pass any extra business to one of the 10 or so friends he has in the area in the same business.

The plant tray order came *through another Pula-based* business, Vodnjanka. It has four divisions: Metalstvo, a metalworking business, based in Vodnjan, an ancient town some *10 kilometres north of Pula,* from which the company takes its name, and which employs some 50 workers; a construction division, based in Pula, which has 45 to 50 craftsmen—carpenters, electricians, bricklayers and the like, who work as sub*contractors, as well as building* houses in their own right; a division based in Zagreb, whose main business is the installation of aluminium roofing and siding; and an agency for coordinating and supplying private business.

Vodnjanka's turnover last year was around Dinars 200m, of which some 40 per cent came *from private-sector business.* The number of workers and companies in that division depends *on the work the com*pany can supply.

Vodnjanka's commission varies from 5 per cent to 50 per cent, depending on how much they have to supply in the way of materials and finance.

Finance, of course, is a serious problem for small businesses, which have to cope with over 127 per cent inflation, tight credit and an over-valued dinar.

Basic interest rates are running at around 80 per cent, with *an extra 3 per cent for housing,* 6 to 8 per cent for net exporters, and 17 per cent for other com*mercial business* being offered by Vodnjanka's local bank, Istarska Osnova Banka Pula. And these rates are very competitive, says Mr Mario Floricic, manager of the bank's international division.

Mr Mario Buzleta, Vodn*janka's director, says he tries to* avoid borrowing problems as much as possible. For construction work, for example, he receives some 40 to 50 per cent on account before he begins the job, and this money tends to find its way from division to division, helping the cash flow.

He says some 70 per cent of his financing costs are met with Vodnjanka funds, while some 20 per cent of financing comes *from commercial banks*, and *10* per cent from the Republic of Croatia (over the past two years). He does not receive lower commercial bank interest rates, although some 50 per cent of his producton is indirectly exported (through subcontracting work) and some 80 per cent is import substitution.

In the past five years, he says, *Vodnjanka has developed some* 50 products which were previously imported.

Much of the present labour unrest in Yugoslavia has arisen from workers' dissatisfaction with top-heavy administration. Vodnjanka employs 25 administrative staff for its 460 to 560 workers. And everyone knows how much everyone else earns. It's a little above the average for the area, says Mr Buzleta.

Modna Tricotaza Arena (Arena Fashion Knitwear) is another company which takes the interests of its workers to heart. Unlike Vodnjanka, it is a *purely self-managed* company, where workers take decisions about policy and the distribu*tion of profits.*

It hardly qualifies as a small business, certainly not in Yugoslavia, where 60 employees is about the maximum for that classification. It has some 720 workers, 53 of them administrators, in three factories, which *merged 19 years go: one in* Pazin, in central Istria, employs 135; one on the island of Cres, off the north Dalmatian coast, has 65 workers: and in Pula 520 people are employed in production and distribution.

They make their own textiles, using three different technologies. The latest, computer-operated, is gradually replacing the earlier automated *knitting* machines, but the earliest, individually operated machines, are going to stay in use for the design team.

Turnover last year was around 5bn dinars. Some 55 per cent of production was exported, earning about \$1.5bn in hard currency. Some 70 per cent went to Western Europe, particularly West Germany, Italy, the Netherlands, and Belgium, where Arena fashions are sold under other labels.

In that way Arena acts as an outworker *for* Western European fashion houses. The rest was sold under Arena's own label either domestically or *in* Eastern Europe.

Arena's workers in Pula have an *extremely agreeable* environment, light, clean and spacious, with well tended house-plants everywhere. "I want it to be like a family, somewhere people want to go to work," says the director, Mr Ivan Skrinjaric.

To maximise profits, and to stop workers feeling that retailers and bankers are living on *their labours, Arena is develop*ing its own chain of 32 shops throughout Yugoslavia.

Mr Skrinjaric takes a very practical and aggressive line on the economic problems facing Yugoslavia. He quotes Tito: "Nothing can be changed by laws." He says: "It's not enough just to talk. Things can only change from the bottom up. And this is the only country in the world where we can work this way."

Jed Marshall

> Yugoslavia has 235,000 self-employed businessmen and women. Many are taxi drivers, restaurateurs, mechanics and seaside landladies. Between them they employ about 125,000 workers

Transport and Communications

Poor services push up costs

ONE OF the main bottlenecks in the Yugoslav economy has been its transport and communications system. It has proved less and less capable of satisfying growing demand for its services by local users and by foreigners who find Yugoslavia an important transit country, or who visit it as businessmen or tourists.

Expanding and modernising various transport and communications networks has therefore become the prerequisite for the development of industry, agriculture, tourism and other activities, as well as for increasing foreign exchange earnings.

Because of the inadequate development and inefficiency of various sectors, transport costs' share in production costs has been two to four times higher than in other European countries. That has reduced competitiveness of Yugoslav goods on the world market. Other shortcomings like delays in delivery or poor transport conditions have the same effect.

Foreigners are less inclined to tolerate such defects. Despite the fact that Yugoslavia has comparative advantages in its geographic position, foreigners have sought alternative routes. Yugoslavia is faced with the realistic threat of becoming an appendix of Europe.

Yugoslav railways have been in bad shape because they never had economic fares and enough funds to maintain tracks and rolling stock. Investing in modernisation has been poor. What resources were available in the post-war period were used to industrialise the country. That was done at the expense of mining, agriculture, forestry and railways.

In that period there was only one significant addition to the railway network, the Belgrade-Bar line. Narrow gauge lines were scrapped, and in some instances (e.g. Slavonski Brod-sarajevo-Kardeljevo) replaced by normal gauge lines.

One of the greatest efforts was the electrification of trunk lines. The electrification of the last part of the line between Austria and Greece was achieved a month and a half ago, when the 161-kilometre long sector between Skopje and the Greek border was finished.

As a result of the lack of funds, tracks are in poor shape. Trains go slowly and change velocities every few kilometres. The fastest trains go between Belgrade and Zagreb at 120 km per hour but it normally takes them five to seven hours to cover the 400-km distance. Delays have been frequent, and so have accidents. Many railway crossings are unprotected and trains run into cars and buses driven by careless drivers.

Rates, except for transit, have been under control, and railways have been accumulating losses. Their workers have been poorly paid, which does not motivate them to work better.

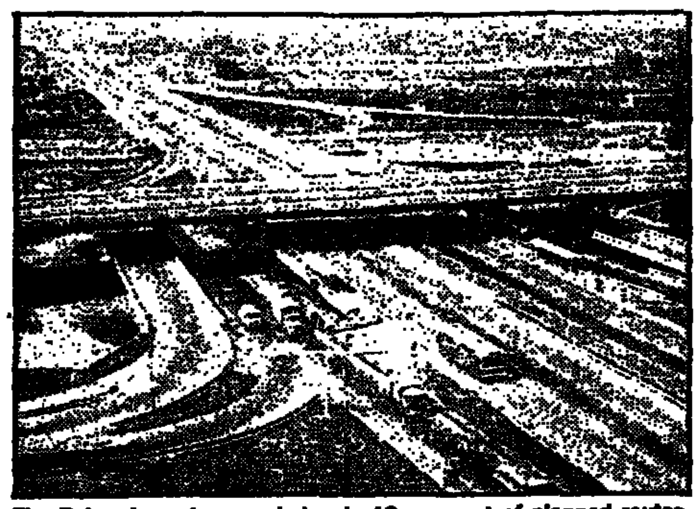
Discipline is weak. Especially dangerous is the fact that engine drivers come to work tired or even drunk, which increases the risk of their falling asleep or going through a red light.

Yugoslav railways have been decentralised and fragmented and they do not form a well-organised economic and technological system. That is hopefully going to change to some extent if constitutional reforms are passed.

Yugoslav railways have several economic and technical development proposals. Among them is the transit development programme for 1986-1990. Compared to some $110m they earned from transit in 1985, they could earn between $200m and $225m by 1990 if certain conditions are implemented, first of all the need for additional investments. Experts have found that Yugoslav railways carry only 12 per cent to 20 per cent of potential freight transit to Germany, 35 per cent to Italy, 40 per cent to Bulgaria, 46 per cent to Austria, 51 per cent to Hungary, and 68 per cent to Czechoslovakia. Of course, success depends also on what alternatives, be it other railways or road transports, will offer.

Transport 1986

Passengers	Railways	Passenger ships	Freight ships	Air transport	Buses	Lorries
Total '000s	**131,473**	**8,059**	—	**5,847**	**1,043,269**	—
Domestic	129.541	7,931	—	2,705	1,035,192	—
International	1.952	128	—	3.142	8,077	—
Freight ('000s tonnes)						
Total	**89,807**	—	**33,730**	**43**	—	**230,268**
Domestic	64,953	—	2,256	18	—	226,491
Exportation	7,908	—	1,827	16	—	2,178
Importation	9.483	—	10,003	8	—	1,161
Transit	7.463	—	—	—	—	278
Abroad	—	—	19,644	1	—	160
Freight/km						
Total tonnes (m)	**27,573**	—	**206,957**	**111**	—	**24.371**
Domestic	18.443	—	379	7	—	21,305
Exportation	3.024	—	9,227	67	—	1,667
Importation	2.903	—	49,823	24	—	832
Transit	3,203	—	—	—	—	378
Abroad	—	—	147,528	13	—	189


The Belgrade motorway—but only 46 per cent of planned routes have been built

Longer-range programmes of Yugoslav railways foresee the construction of few new lines and consist mainly of the overhaul of existing lines. Trunk lines should be made for speeds of 160 km/hour, new safety and signalling equipment should be installed, new rolling stock purchased, mainly from Yugoslav manufacturers who are capable of providing most types of engines and cars.

To what extent those programmes are going to be carried out will largely depend on how much will be obtained from foreign sources, such as the European Investment Bank and the World Bank. Part of the Ecu 600m Yugoslavia has requested from the E.I.B. is intended for railway modernisation programmes.

Yugoslav railways have been insisting on a comprehensive transport strategy for the country on the grounds that road transport has been privileged. The railways claim that energy consumption in road transport is 13 times that of rail transport, and that it is not justified to transport two and a half times more goods and eight times more passengers by the latter than by rail. Such a strategy, however, is not yet in sight.

Road transport has its own problems. The main one is again the undeveloped infrastructure. Although thousands of kilometres of new roads have been built since the war, the backbone, the motorway between the border with Austria in the north-west and borders with Greece in the south and Bulgaria in the east, has been left unfinished. Of the 1,184 km, so far 575 km or 46 per cent have been built.

That has been one of the many drawbacks of Yugoslavian road construction. Important roads have been constructed before vital links. Only two weeks ago, at a meeting between the Federal Prime Minister, Mr Branko Mikulic, and prime ministers of republics and provinces it had been decided to give absolute priority to the construction of the Fraternity-Unity motorway (and modernisation of the trunk railway line mentioned earlier). That would cost some $6bn, of which a smaller part would be financed by borrowing abroad. The rest would be financed from a special levy on the price of petrol (at the moment 7 dinars, or 7p. per litre) and other local sources. In that way, the motorway could be finished by 1990, it was hoped.

In the field of road transport there have been many unresolved problems. There are too many firms engaged in the sector using small numbers of buses and lorries of all makes and ages, which cannot seriously compete internationally with big transport businesses from western European countries, or from Bulgaria and Hungary.

The whole system of permits for transit given to foreigners has to be overhauled, to take into account not only the number of lorries but also their weight. Stricter control of weight is also necessary, as what roads there are have been quickly ruined by heavy lorries and trailers.

Recently, ideas were launched to allow foreign firms to build roads in Yugoslavia and exploit them for agreed time periods. Although Yugoslav media has been reporting interest shown by some firms, no firm proposals have yet been revealed. Yugoslav authorities do not reject the possibility however.

Building new and modernising existing roads is an urgent matter. They have been used beyond their capability. Many are decrepit, potholes abound and fatal accidents have been numerous. The trunk road has been used by lorries travelling to and from Greece and beyond, the Middle East, by tourists and guest workers. Those who refuse loans or grants for its construction would quickly change their minds if they had to travel on it.

Another transport sector which has been neglected is river navigation. Yugoslavia once had the strongest fleet on the Danube. Today, others have more freight ships and barges. As to passenger ships, Yugoslavia has none. Yet this form of transport is cheapest. In addition to the Danube Yugoslavia has several other navigable rivers and canals, that have fine shipyards for river boat construction.

The merchant fleet has fared better but even there problems abound. The average age of merchant ships is now, after some improvements in recent years, around the world average. Yugoslav maritime shipyards are among the best and busiest in the world (in 1986, they were the third largest world exporters of ships, after Japan and South Korea), but they build very little for the Yugoslav flag.

Yugoslavia has yet to develop integral transport. While in countries like the US, containers originated on the mainland and extended to the sea, in Yugoslavia the process is the reverse of that.

A solution for the rationalisation of transport is sought by establishing regional centres which would concentrate freight from a given territory and allow for rapid handling and transport. A total of 47 such centres has been planned for the country, and the cost effectiveness would be such, advocates of the plan claim, that whatever was invested would be recovered within a few years.

There has been opposition, however, because if that materialises many small towns would lose their railway stations and also jobs, but the idea has been gaining ground.

Air transport is the youngest branch, although the oldest Yugoslav company, Yugoslav Airlines (JAT) just celebrated its 40th anniversary. After some lean years, JAT has been operating successfully since 1985. It has been export-oriented, 85 per cent of its income is in hard currency. Domestic flights have been subsidised from profits made abroad. JAT has been buying new Boeing and McDonnell Douglas aircraft, bracing itself for the new era of deregulated air traffic in Europe.

Another company, Adria Airways from Ljubljana, has been also expanding quickly. Originally a charter company, it has now regular domestic and international flights. Unfortunately, those two cannot find common language, which would be of mutual benefit.

A third company, Aviogenex, within the Genex system which includes the Yugotours tour operator, engages in charter flights only, and some time ago switched from Soviet-made to American airplanes.

Alexsander Lebl

Technology

Research is fragmented

YUGOSLAVIA HAS to increase its exports. Everyone agrees on that. The quality of those exports is another problem. The Federal Government is concerned about the widening technological gap between the industrialised and the developing countries.

In the past, research institutions have been fragmented and disconnected. They have been poorly equipped for research, and the flow of information has been poor.

The Federal Government has developed a long-term strategy to raise the level of technological ability. That includes providing more funds for research. The exact amount is not yet known, but it should amount to at least the equivalent of $100m in this, the first year, according to Prof Bozidar Matic, a member of the Federal Executive Council and president of the federal committee for science and technology, set up on May 15 last year, to co-ordinate development.

But that is only an assessment. The law on incentives (which should come into effect on July 1) is still being worked out, and he expects this figure to rise.

None of the funds will be drawn from existing federal, republican or provincial research budgets. Two-thirds will come from federal sources, financed by the sales tax, and sales of oil and oil products. A third will come from the republics and provinces, to be fixed in accordance with their individual social product. It will all be extra-budgetary revenue.

Other sources of funds are the enterprises themselves, foreign companies, republican governments and the armed forces.

Prof Matic says the strategy for technological development is similar in some ways to the French-sponsored Eureka project. Enterprises or institutes from at least two different republics or provinces have to take part to qualify for federal incentive funds. And the research priorities will be similar.

The ecological impact of projects will be a main consideration for the team of experts who will evaluate individual proposals. The outgoing Federal President, Mr Sinan Hasani, for example, gave a warning in his state of the nation speech last month that no decision on building nuclear power plants or developing nuclear technology could be made before detailed studies had been completed.

Prof Matic also complains that, in the past, some foreign companies invested abroad only in technologies which they wanted to get rid of in their own countries. New laws on the transfer of technology have been framed to take account of this problem.


Mr Sinan Hasani, the outgoing Federal President who gave a warning about developing nuclear technology

Another major criterion for federal funding is that projects should be in areas where Yugoslavia is either the most advanced, or among the most advanced, nations.

High-temperature cryogenics (cryogenics is basically the physics of how materials behave at extremely low temperatures) is one area in which Yugoslavia is among the top half-dozen nations. The practical value of this research would be in the commercial use of superconductors (materials which, at extremely low temperatures, offer no resistance to electricity).

Yugoslav scientists have achieved results with superconducted materials at temperatures of −106 deg Celsius, about 10 degrees lower than the best results. The higher the temperature at which superconductors work, the more possible it becomes to develop cheap commercial applications. El Dorado for cryogenicists is to develop superconductor science to the point where the idea of power from nuclear fusion become reality.

In some areas of biotechnology, Prof Matic says, Yugoslavs can claim to be world leaders. They have developed a strain of disease-resistant sunflower which has attracted buyers from Japan, the US and Italy. Maize is another crop where biotechnologists have achieved potentially profitable results. Other priorities for funding are computer science, particularly software, computer technology in production control, robotics, telecommunications and new materials.

Yugoslavia is also participating in the Eureka and Comecon programmes. Prof Matic says negotiations have been conducted on some 50 Comecon projects, while agreements have been reached on about 10. With Eureka, though, only three projects are being negotiated, he says. He is quite concerned that the Eureka programme is closed, and certainly does not want to see any imbalance in Yugolsavian participation in the two programmes.

He thinks that Yugoslavia may have to find a third way, unless the problems are resolved by the end of the year. He says co-operation with the US has been good, and that closer links with Japan are a possibility. He also envisages more co-operation with such technologically advanced developing countries as India, Argentina, and Brazil.

But Yugoslavia is a European country, the European members of Eureka are closer and co-operation with them is less expensive.

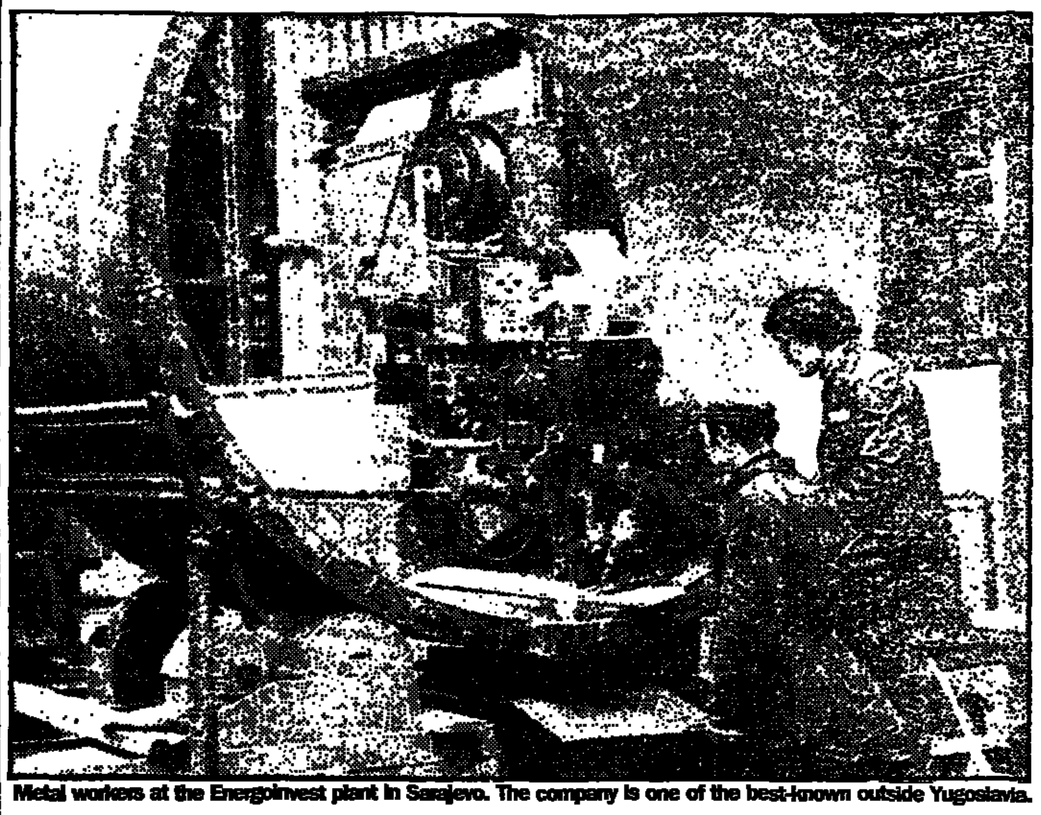
Part of the function of Prof Matic's committee is to prevent the leakage of information from a Comecon project to a Eureka one or vice versa. There is a regulation stipulating that an enterprise participating in Eureka cannot also take part in a similar project organised through Comecon. Yugoslav enterprises, he says, have never figured on the Co-ordinating Committee for Multilateral Export Controls (Cocom) blacklist.

A few foreign companies have already invested in high-tech projects, but the new laws on the transfer of technology are expected to make Yugoslavia more attractive, particularly their provisions on the repatriation of profits and on insurance against non-commercial risks.

But Prof Matic is quite aware that nobody from outside Yugoslavia is going to bring development in, and that his country will have to develop high technology of its own. "God helps those who help themselves," he says.

But the exchange of technology is another matter. "We know we cannot expect to receive knowledge and technology from our partners, but at least we can exchange 50 per cent of our own with them. We think that Yugoslavia's 50 per cent is worth something."

Jed Marshall



Metal workers at the Energoinvest plant in Sarajevo. The company is one of the best-known outside Yugoslavia.

Promoting goods and services

Awaiting a free market

YUGOSLAV INDUSTRY has been slow to realise that making products is not enough and that to sell, particularly abroad, where the competition is much stiffer, a little promotion is required.

Yugoslav businessmen who have lived and worked in market economies, have been among the first to appreciate the importance of market research and marketing. So have the universities.

Marketing has long been a very important subject at Yugoslav Universities. The economic chamber of Yugoslavia founded a Market Resarch Institute (ZIT) 25 years ago. Within its framework several specialised institutes have been active, including the Centre for Marketing Studies (CEMA) in Zagreb, founded by the economic chamber of Croatia a year before ZIT was established.

Hundreds of university graduates have been trained in marketing, and many have earned MA or even PhD degrees, and yet marketing has been overlooked and has had no impact on Yugoslav exports, very few Yugoslav businesses are known worldwide or in Europe, apart, perhaps, from Elan Ski manufacturers of Begunje in Slovenia, Energoinvest of Sarajevo, which is a conglomerate engaging in metal processing, electrical, oil processing, mining and other industries, the Genex trading house and shipyards.

The same is true of Yugoslav products. Very few brand names are known abroad. They include Elan Skis, Three Hearts mineral water from Rogoska Slatina, and possibly some wines.

In tourism, only Dubrovnik is a well-known name. Recently people abroad have heard of Sarajevo as the site of the last winter Olympic Games (younger generations do not remember it as the place where the First World War was ignited).

All that is obviously too little for a country with ambitions to win itself a much larger chunk of the world export and tourism markets.

Why has marketing not developed? In the words of Professor Fedor Rocco, the first director of CEMA: "... it is a fact that in our economy marketing has been neglected, is almost *non-existent. There are some* hybrid forms of placement, in which we take something from the distribution theory and policy, something from the communication theory and policy, *and least of all from the product* theory and policy and the price policy. That, however, taken together, is not marketing, because without a true market there is no true marketing."

In other words, as long as the market in Yugoslavia has not won a decisive victory as a concept in policy and practice, marketing will not play its proper role.

Several Yugoslav businesses have stepped up their marketing efforts independently or in combination with foreign marketing agencies. But they have run into a vicious circle: shortage of foreign exchange severely limits the amount that can be used for marketing, that in turn limits foreign exchange earnings, which cuts into the budget for marketing. . . .

Yugoslav tourism, among others, has fallen prey to this situation. Yugoslavia spends far less than its competitors on promoting tourist attractions. That is partly why it has relatively fewer tourists than Spain, Italy or Greece.

Some Yugoslav exporters have succeeded in promoting their products abroad, but not through their own efforts. A good case in point has been the Yugo car in the US. There the American partner of the Crvena Zastava car factory, Yugo American, has succeeded in arousing American interest.

Other Yugoslav businesses *are likely to benefit from that if* they start using experienced foreign marketing firms.

The role of marketing will also increase domestically as and when Yugoslavia develops a truly free and competitive market.

Alexsander Lebl

Banks

Pressure mounts for radical overhaul

LAST YEAR, the federal government having decided there were too many banks in the country, passed legislation setting a floor on the assets a bank must have in order to continue its activities. The floor was fixed at dinars 6,000m at first (later increased to dinars 8,000m).

Not one bank was closed. Inflation was 92 per cent, and dinars 6,000m (£13.2m) at the beginning of the year equalled dinars 3,160m (£9m) by the end. As a result, no bank had any difficulty in meeting legal requirements, especially since local governments found ways of helping "their" banks with any problems.

Thus failed another attempt to rationalise Yugoslav banking. Some have welcomed this, arguing that it was not the Government's place to intervene with administrative measures in a field where economic logic should prevail. However, purely economic factors have never played a decisive role in Yugoslav banking. Political factors, at local and republic or provincial levels, have always been important in the appointment of bank managers and in deciding which projects should have priority in borrowing. Banks have often neglected to assess the feasibility and viability of projects hence the country's prize herd of white elephants.

The political factors have their own logic. Budgetary revenues depend heavily on industry and employment levels, regardless of profitability.

As a result each sub-region has its own commercial (called basic) bank, and each republic and autonomous province has its own bank system, the so-called associated bank, comprising a number of commercial banks with very few outside the republic or province. The only exception is the ninth banking system, Jukobanka's, which has members all over Yugoslavia.

The quality of a bank does not always depend on its size, but as a rule most small banks cannot *support their clients, especially* in their export drive. Clients left free to choose their banks, tend to abandon weak banks in favour of stronger ones.

Yugoslav commercial banks with a few exceptions have been universal or all round institutions, performing all types of banking operations. The pressure now is for greater specialisation and development of expertise especially in dealing with foreign partners, the specialisation trend so far has been slow.

Yugoslav banks do not operate in a climate of real interest rates because of the high level of inflation. For instance, at the moment the *six-month* benchmark rate is 81 per cent with inflation at an annualised rate of 127 per cent; that is what private savers and production organisations get for their deposits, but *organisations* outside material production get only half that rate, and sight deposits, which are the bulk of savings, fetch only 7.5 per cent.

Recently, the national bank of Yugoslavia accused commercial banks of having diverted part of the selective credits they received at lower rates for agriculture and export production *to other purposes, or of having* tolerated their clients doing so. The alleged culprits were publicly identified but in the end nothing happened to them.

That is not to say that Yugoslav commercial banks are irresponsible or lack discipline: they do the best they can to obey laws and guidelines which are too often unrealistic or downright destructive.

The Government and the National Bank are not always exemplary. At their instigation the parliament voted to limit increases in the money and credit supply in the first quarter of this year to 4.5 and 5.5 per cent respectively over last December.

Actually, both increased several *times that when central* bankers and the Government realised what damage would be caused by strict adherence to the letter of the law.

National Bank officers explained this by saying that M1 really increased beyond the target but that M2 increased less and that therefore all is as it should be. It remains to be seen how the MPS will react. The same officers said that targeting money supply should be abandoned and other methods applied, such as lowering or increasing obligatory bank reserves.

Yugoslav commercial banks, like the whole economy, are burdened with many problems. Maturities of their lendings and *sources do not match, they have* liquidity problems, they have accumulated huge foreign exchange losses because their clients borrowed abroad and sold foreign currency at a low *rate, and have to repay their* debts at much higher rates.

Many are now demanding a radical reform of the banking and more generally the financial system. Banks, they say, should finally stop being altruistic institutions and become what banks in market economies are: institutions which invest money for profit, insuring themselves against risks, assessing their clients' creditworthiness, their projects and performance.

They should be allowed to have their own funds. At present, all they have or earn belongs to their founders i.e. various firms, which are really governing them. As they are borrowers from "their" banks, banks in Yugoslavia are in effect governed by their debtors.

In the overhaul of the banking system, the central bank should also change its role and position. At the moment, it is a department of the Federal Government. It should become a much stronger, independent institution, not necessarily in opposition but at least being *able to tell the Parliament* its opinion on various matters.

New developments in Yugoslav banking include proposals to allow foreign banks to join *local banks to form mixed banks* in Yugoslavia. The idea is still undefined and what has been heard is not really very attractive, but the first mixed banking institutions may not be too far off.

Banks themselves have been cautiously exploring new grounds, one of the largest, Investbanka of Belgrade, has *allocated a modest sum for* venture capital. If first results are favourable, the sum will be increased. The same bank has issued first negotiable securities in Yugoslavia, paying above the prevailing interest rates (meanwhile, interest rates have gone up). More innovative ideas will certainly come soon.

Alexsander Lebl

Profile: Uljanik

Falling dollar hits profits from ship sales

ULJANIK SHIPYARD in Pula has been building ships for more than 130 years and in a city of only 80,000 people, employs a workforce of more than 8,000. Its *total income last year was* Dinars 113.047m (net Dinars 2.014m), compared with Dinars 62.599m in 1985 (net Dinars 9.377m).

The company has three main *areas of production, apart from* basic ship construction—low-speed and high-speed diesel engines, electrical equipment and general ship equipment. Auxiliary engines are supplied *by other Yugoslav companies.*

Following delivery last month of the Sarajevo Express, sister ship to the 28,500 dwt Koper Express which today looms over the seafront in the town, Uljanik *has 14 vessels on order.* They are two 13,300 dwt car carriers, two 9,800 dwt chemical tankers, three refrigerated cargo ships of 10,600 dwt and six products tankers of 16,200 or 40,200 dwt. *Negotiations are under way for* three more vessels, including another container ship of the Koper Express type.

In the mid-1970s, Uljanik was building 270,000 dwt tankers and ore/oil carriers, launching *them in sections and joining* them afloat, but now, says Mr Blaz Rocek, vice-president of the business board, it has to build more sophisticated ships if it is to stay ahead of competi*tion from other shipbuilding* nations in the Far East and in particular the South Koreans.

Since the first oil crisis of 1973/74, shipyards in nearly every country have been forced *to close. In Yugoslavia, not a* single major shipyard has shut its gates and the shipbuilding industry is still Yugoslavia's third-largest exporter. Uljanik earned $194m in hard currency last year, *although this year's* figure is expected to be half that.

One problem for Uljanik, as for other export-oriented industries, however, is that exports are *denominated in* dollars, while the dinar's value is calculated against a basket of currencies.

While inflation last year was running at around 82 per cent, *the falling value* of the dollar resulted in a real dinar/dollar devaluation of only 50 per cent, says Mr Rocek. Uljanik's import costs are payable mainly in European currencies.

One reason for Yugoslavia's success as a ship exporter has been the credit terms made available to foreign owners. The buyers pays some 20 per cent of the price before taking delivery: 5 per cent at the contract signing, 5 per cent at the keel laying, 5 per cent at launch and 5 per cent on delivery. The rest is financed by commercial banks, with 80 per cent of that refinanced through Jugomes, the Yugoslav Bank for International Economic Co-operation.

"But now we have a problem collecting money from *Jugomes," says Mr Rocek. "We* have to compete with other interests."

As in all shipbuilding cities, there is a family tradition of working in the shipyard, but *Uljanik does have some labour* problems. "People don't like working out in the open," says Mr Rocek. "In the winter there's the wind, in the summer it gets too hot." Uljanik has to subcon*tract most of its painting,* although steel priming is still an in-house trade.

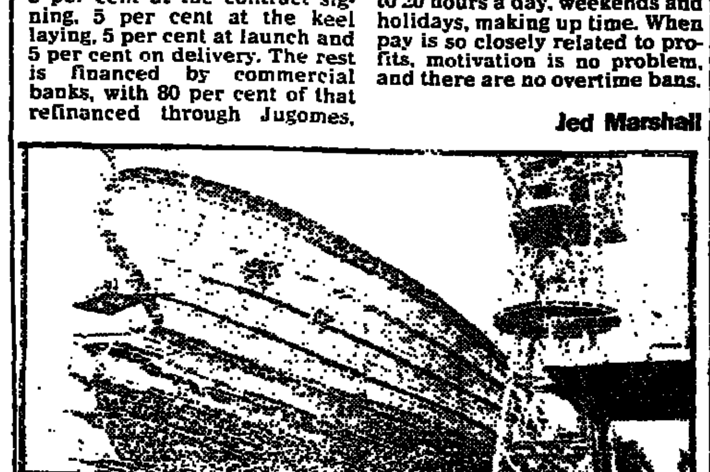
Welders are also hard to come by. The Workers' Council is considering a management propo*sal to offer welders extra wages,* but the company attracts workers from all over Yugoslavia — 20 or so are Albanian — and is promoting a scheme to bring engineering students into the company by paying them while they complete their studies.

There are also plans to build under cover. Uljanik had covered yards until the Second World War, when it was used for German submarine repair. The yard was totally destroyed by Allied bombing.

Now the company is thinking about building whole sections under cover, complete with equipment, and joining them later.

The self-management system helps to keep Uljanik competitive. If there are problems with delivery, workers can spend up to 20 hours a day, weekends and holidays, making up time. When pay is so closely related to profits, motivation is no problem, and there are no overtime bans.

Jed Marshall



Shipbuilding yards are facing fewer orders.